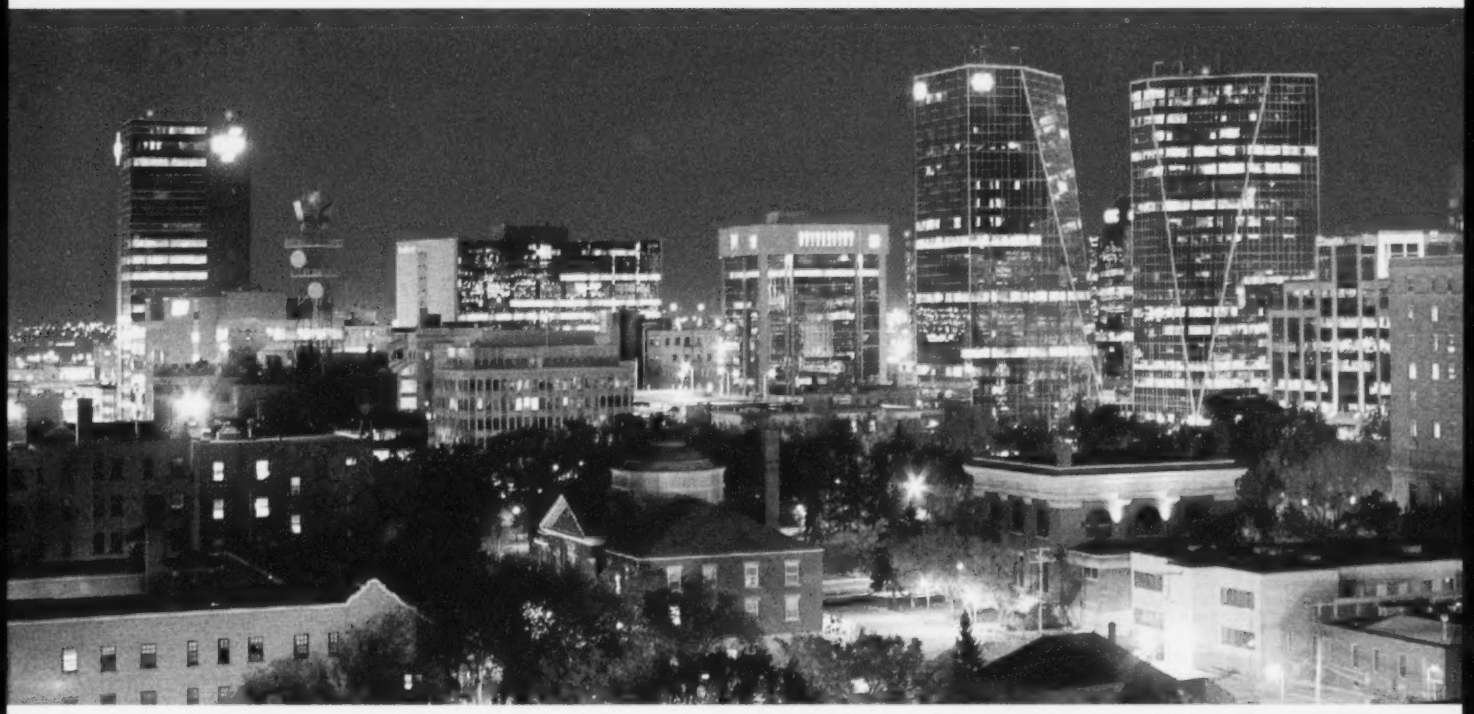
CITY OF REGINA

SASKATCHEWAN, CANADA

2010 ANNUAL REPORT

YEAR ENDED DECEMBER 31, 2010



City of Regina | REGINA
Infinite Horizons

Canadian Award for Financial Reporting

Presented to

City of Regina
Saskatchewan

For its Annual
Financial Report
for the Year Ended

December 31, 2009

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units whose annual financial reports achieve the highest program standards for Canadian Government accounting and financial reporting.

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the Corporation of the City of Regina for its annual financial report for the fiscal year ending December 31, 2009. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and provide peer recognition and technical guidance for officials preparing these reports.

In order to receive the Canadian Award for Financial Reporting, a municipal government must publish an easily readable and efficiently organized annual financial report. The contents of the report must conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to GFOA.

This is the 18th time the City of Regina has received an award for its Annual Financial Report.

The 2010 Annual Financial Report for the City of Regina was prepared by the Finance Department, with contributions from all City Departments and related organizations.

City of Regina, Saskatchewan, Canada

Regina.ca

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Introduction

Message from the City Manager

Letter of Transmittal

April 26, 2011

His Worship, the Mayor
And Members of City Council

I am pleased to submit the City of Regina's 2010 Annual Report. The Annual Report is submitted pursuant to Section 155 of *The Cities Act*. The Annual Report includes consolidated financial statements for the City of Regina as required by the Public Sector Accounting Standards Board (PSAB). The Annual Report includes financial, statistical and other information about the City of Regina and related entities to provide an understanding of the City and the resources available to the City.

The Annual Report consists of the following sections:

Introduction
The introduction familiarizes readers with the strategic focus of Council and its Administration, the political and organizational structure of the City, and the nature and scope of the services provided by the City.

Financial Statement Discussion and Analysis
This section provides explanations and trend analyses to provide a broader understanding of the financial statements.

Financial Statements
This section's detailed financial statements include the Consolidated Financial Statements and the General Trust Fund financial statements.

The preparation and presentation of the financial statements and related information contained in this annual report is the responsibility of management of the City of Regina. The statements have been prepared on a basis consistent with the recommendations of PSAB. Included in the consolidated financial statements are those entities that are accountable to and owned or controlled by the City of Regina. These entities include: Regina Public Library, Regina Regional Opportunities Commission, Buffalo Pound Water Administration Board, Regina Downtown Business Improvement District and Regina's Warehouse Business Improvement District.

City Council appointed the accounting firm of Deloitte & Touche, LLP to perform an independent audit of the City's 2010 financial statements. Their report is included in this document. The City's system of internal controls ensures the accuracy and reliability of the financial information. The Finance and Administration Committee reviews the external auditor's audit plan, and ensures corrective action is taken for weaknesses identified in the City's internal control system.

As noted, the consolidated financial statements include information on the City's financial position and operating results, along with those of several related entities. The City's operations are typically segmented (General Operating, General Capital, Utility Operating and Utility Capital) for budgeting and reporting purposes. In the financial statements, segment disclosure is also provided by divisional areas.

Based on the consolidated information, the following points are noted for 2010:

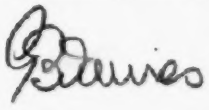
- The City (consolidated entity) had net financial assets of $28 million at the end of 2010, an increase of $9 million from net financial assets of $19 million at the end of 2009.

- Total revenues in 2010 were $471 million, a decrease of $13 million from 2009. Total expenses in 2010 were $380 million, a decrease of $48 million from 2009.

- The planning, development and monitoring of the annual operating and capital budgets is a fundamental component of the City's financial administration. For 2010, the City's General Operating Fund ended the year with an operating surplus of approximately $4.0 million. The surplus is determined on a basis consistent with the presentation of the 2010 General Operating Budget and is prior to consolidation and application of the PSAB standards.

The City's achievements in providing accurate and articulate financial statements were recognized by the Government Finance Officers Association of the United States and Canada (GFOA) for the 18th consecutive year. GFOA awarded a Canadian Award for Financial Reporting to the City of Regina for its Annual Financial Report for the fiscal year ended December 31, 2009. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports. In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily-readable and efficiently-organized annual financial report with content that conforms to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

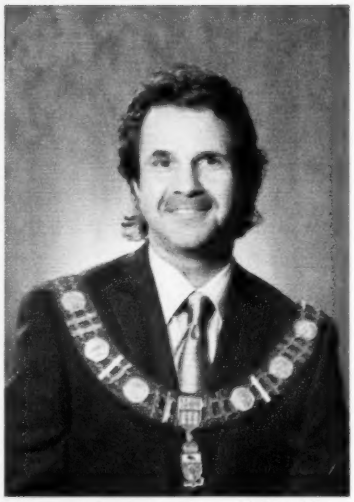
Respectfully submitted,



Glen B. Davies
City Manager

Message from the Mayor

Dear Regina Citizens,



On behalf of my colleagues at City Council, I'm proud to present the 2010 Annual Report for the City of Regina.

2010 was another tremendous year for Regina. Benjamin Franklin said: "Without continual growth and progress such words as improvement, achievement, and success have no meaning." This quote really sums up the kind of year our community has experienced.

Growth and progress demand change. While change is sometimes inconvenient, it is inevitable if you want to keep up with and surpass your competitors.

As elected officials, we're tasked with making tough decisions on behalf of our citizens. We do not take this responsibility lightly. We make these decisions with the knowledge that we cannot please everyone. I would rather be criticized for making a decision today that is the right one in the long run than be criticized tomorrow for making a decision that while popular at the time was the wrong one in the future.

To help us make the right decisions, we engaged experts to assist us in revitalizing our downtown, renewing our recreational facilities, strengthening our transit service and becoming better environmental stewards. And we sought the advice of you, our citizens. We have the benefit of the knowledge gained from those plans and now we have tough decisions to make on implementation and making them reality.

In 2010, we began the major revitalization project of developing a festival plaza adjacent to Victoria Park. The closing of a section of 12th Avenue and the conversion to two-way streets has caused significant inconvenience to our citizens and downtown business owners. I apologize for the inconvenience and thank you for your patience. We all look forward to the completion of the project and the opening of the festival plaza this summer.

The implementation plan for Waste Plan Regina caused quite a bit of discussion in the community. People have made it clear that they want the convenience of curb side recycling. Your City Council wants to ensure we get it right. That's why we've asked our administration to leave no stone unturned so we can provide the most effective service possible.

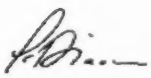
We've seen some improvements to service through the Transit Investment Plan which calls for a wide range of transit-supportive initiatives to be implemented over the next ten-years. The state-of-the-art fare collection system – the R-card – replaces monthly passes and tickets allowing us to track travel patterns so we can best deploy resources. We've managed to replace close to 30 percent of our fleet with new low-floor buses over the last three years and we committed to purchasing more low floor and paratransit buses this year.

The Recreation Facilities Plan was approved by Council last spring. The plan highlighted the need for renewal of our recreation infrastructure. Last year we replaced the roof of the SportsPlex, made improvements to Leibel Field with the help of our partner Regina Minor Football, and developed partnerships in the community for improvements to neighbourhood play areas.

Regina's population grew by 5,000 people or 2.23 per cent last year. With that kind of growth, comes change. There are choices around what we must do, what we should do, and what we can do with the resources available. Each choice is difficult.

Much has changed in our community over the last 10 years and the expectations of residents have changed. As a result, City Hall has had to change as well. What has not changed is our focus. We are targeting investments that continue to build a healthy and safe community with opportunities for children, families, and seniors. We are making changes that have a strategic link to our vision, which is to be Canada's most vibrant, inclusive, attractive, sustainable community where people live in harmony and thrive in opportunity.

On behalf of my colleagues on City Council, I extend our appreciation for your support and your continued investment in Regina. Working together we can achieve anything.



Pat Fiacco
Mayor

Vision, Mission & Values

City Council and the administration are committed to providing a strategic focus for the future of our community. In 2008, the City of Regina rolled out its five-year corporate strategic plan, *Accelerating Excellence 2008-2012*, to determine the path for achieving its mission and vision.

Our Vision

Imagine Regina 2020
Canada's most vibrant, inclusive, attractive, sustainable community, where people live in harmony and thrive in opportunity.

- **Vibrant:** Young people and creative spirits are inspiring dynamic neighbourhoods and an exciting downtown, all of which feature first-rate facilities for health, wellness and artistic expression.
- **Inclusive:** Our community welcomes people. We live the values of respect and trust and celebrate the strength that comes from our diversity.
- **Attractive:** Residents and visitors choose Regina because it's clean, green, lively, friendly, affordable and fun!
- **Sustainable:** People forge a balance between the economic, social, environmental and cultural dimensions of their decisions by serving as stewards of the resources we share and by demonstrating leadership.
- **Harmony:** Empathy and understanding come from, and lead to, being safe in our homes and neighbourhoods; building strong social networks throughout the community creates synergy and sense of belonging.
- **Opportunity:** The entrepreneurial spirit powers Regina as a centre of success where research, innovation and excellence abound.

Our Mission

We aspire to be the best run municipality in Canada providing services that enhance the quality of life. We serve our community, support the Vision of Council and live our Values.

Our Values

- **Performance Driven & Accountable:** We all demonstrate leadership qualities. We instill a sense of mutual responsibility, open communication and teamwork while being accountable to each other, our community and Council. Our efforts are performance driven and outcome based.
- **Responsive & Respectful:** We cultivate a professional environment by being responsive and respectful in our conduct and interactions. We focus on safety, diversity and mutual respect.
- **Innovative & Creative:** We continuously improve by promoting innovative approaches to our work and how we serve our community and Council. We are creative, purposeful and take measured risks which results in new ways of doing business and being cost effective.
- **Focused on Excellence:** We are results oriented, providing excellent, responsive and accessible service.

2010 City Highlights

In 2010, Regina moved closer towards City Council's vision. Some highlights from 2010 include:

Vibrant, Inclusive, Attractive

- Construction is well underway on the festival plaza adjacent to downtown's Victoria Park. Improvements will include widening sidewalks, landscaping, enhanced lighting, seating and paving stone. The plaza is scheduled to open in the summer.
- The world's best young hockey players broke the ice at the Co-operators Centre at Evraz Place during the 2010 World Junior Hockey Championship.
- More than 130,000 patrons spent about $8 million on concerts and special events at Brandt Centre at Evraz Place. These shows included: Justin Bieber, Reba McEntire, Cirque du Soleil – Alegria, Star Wars: In Concert, Motley Crue, Hedley, and Jason Bonham's Led Zeppelin Experience.
- Construction began on the new Arcola Community School for pre-kindergarten to Grade 8. The school includes a space for the Centre for the Visually Impaired.
- Regina Day, held during the Vancouver 2010 Winter Olympic Games, offered exposure for our city to an audience of more than 500,000 people, as well as local, national and international media.
- The City of Regina hosted an Olympic Torch Relay Event January 9 in partnership with VANOC. Events included a public skate at the Co-Operators Centre, sport demonstrations and participation at the Sportplex, and cultural entertainment on the Olympic stage.
- In November, the Hello Regina external marketing campaign was launched in Calgary. At the conclusion of the one month campaign, research showed that the likelihood of Calgarians moving to Regina rose from 4.2 per cent to 7.3 per cent.
- Great events including Western Canada Farm Progress Show, Canadian Western Agribition, Queen City Ex, Mosaic Multicultural Festival, SaskTel Summer Invasion and Royal Red were all well received in 2010.
- Evraz Place presented Grammy Award-winning rock band Bon Jovi with very special guest Kid Rock at Mosaic Stadium at Taylor Field, attracting more than 34,000 fans.
- Regina hosted the 17th Annual National Aboriginal Achievement Awards. The $1-million production celebrates achievements in 14 categories plus a youth award and a lifetime award.
- A 13-part comedy series, InSecurity, was filmed in Regina and airs on CBC beginning in January. The series means $10.8 million in economic activity in the province.
- The City of Regina assisted the growing film industry by coordinating 90 permits (up from 54 in 2009) for filming in public areas of the city.
- The Saskatchewan Roughriders turned 100. The Riders won the Western Final, sending them to the Grey Cup. This is the team's third Grey Cup appearance in four years.
- The new Broad Street pedestrian bridge and trail opened to provide a wider, more accessible route around Wascana Lake without using roadways.

- Victoria Park welcomed more than 150 activities in the park attracting visitors to the downtown including the Regina Folk Festival, Taste of Regina and I Love Regina Day.
- The City of Regina installed new playgrounds in Leslie Park, Jenkins Drive Park, New Albert Park and Carlton Park.
- A new fully-accessible, therapeutic playground at the Wascana Rehabilitation Centre was made possible by Playground Rehab @ Wascana Inc.
- The City of Regina is on Facebook, Twitter and YouTube. The use of social media allows the City to better and more quickly engage citizens and efficiently communicate information related to programs, services and initiatives.

Sustainable Community

- After extensive public consultation, Waste Plan Regina was approved in principle for the adoption of Option 2 (Enhanced Services), which includes curb-side recycling, seasonal collection of yard material, collection of bulky items such as fridges, and a permanent facility for the drop off of household hazardous waste.
- Work continues on the development of the Official Community Plan including background studies on population projections and analysis, land supply and demand, and a study of business development and employment needs.
- Regina Transit replaced 23 buses in its 105 bus fleet with 14 new and nine second-hand, accessible, low-floor buses. Six replacement Paratransit minibuses were also purchased.
- The new #4 fire station opened in North Central in October. This facility incorporates green energy and innovative features that makes this facility one of the most energy-efficient City buildings and provides enhanced fire and emergency services.
- The City of Regina continues to implement the GreenFleet Report recommendations to minimize the negative environmental impacts of the City's vehicle and equipment fleet including the purchase of a hybrid refuse truck.
- As a pilot project, three parks were designated Pesticide-Free in 2010. No pesticides or herbicides were used to control weeds and mosquitoes at Al Pickard, Gordon Road Parks and Queen Elizabeth II Courtyard (City Hall).
- The City of Regina invested $15 million to build and repair 24 km of streets and sidewalks and $4.5 million for the renewal and maintenance of five bridges. This investment is part of an overall $81-million capital program, which includes work on water, wastewater and drainage systems.
- Construction continues on the Lewvan/Highway 1 interchange with the relocation of utilities, bridge construction and ramp embankments.
- The International Performance Assessment Centre for Geologic Storage of CO2 at the University of Regina received $4 million in funding from the federal government for carbon capture and storage research.
- Innovation Place and the University of Regina partnered to set up a wind turbine on the top of the new building at 2 Research Drive. The turbine is the first in the city to be connected to the power grid through net metering and is symbolic of the sustainability efforts at both the University of Regina and Innovation Place.
- The City of Regina designed and implemented a new budget process, which saw the annual budget released in late 2010 for approval in early 2011. This allows for better planning and better management of public funds.

Live in Harmony

- The Rawlco Centre for Mother Baby Care opened featuring private rooms with tub, toilet, shower and sink; operating theatres with state-of-the-art equipment; outpatient assessment rooms; and large delivery rooms.
- Souls Harbour Rescue Mission Youth Centre opened in North Central. The former church underwent more than $1 million in renovations and features a full-size gym, computer lab, weight room and games room. Counselling services and a daycare are also available.
- The Regina and District Food Bank opened a new Village Market. The small grocery store for food bank clientele offers core grocery and household products at significantly reduced prices. The concept is the first of its kind in North America.
- Habitat for Humanity opened its new facility. The 15,000 ft^2 building houses administration offices as well as ReStore, where the public can buy new and used building supplies donated by businesses, corporations and individuals.
- As part of the RCMP Training Academy's 125th anniversary, the RCMP partnered with Habitat for Humanity to build a "Mountie House" for a deserving Regina family. The project, which included help from Rick Mercer and his crew, was broadcast on the Rick Mercer Report in November.
- A bust of Chief Payepot was unveiled at City Hall to commemorate the 135th anniversary of Chief's signing of Treaty 4.
- The Regina Ukrainian Canadian Congress (UCC) hosted its first Ukrainian Fall Festival to mark the 70th anniversary of UCC.
- Regina residents Paul Hill and Dale Scrivens were installed as Knights of St. Sylvester, a rare honour granted by the Vatican for service to the community and church.
- Dr. Martin LeBoldus High School's Best Buddies Blues Band performed at the Paralympic Games in Vancouver. Best Buddies® is a nonprofit organization dedicated to enhancing the lives of people with intellectual disabilities.
- The Regina Children's Charter was released, which outlines certain rights all children should have and is accompanied by a community action plan for early childhood development.

Thrive in Opportunity

- Consumers Co-operative Refineries' $1.9-billion expansion will increase capacity to 130,000 barrels of crude oil per day when complete in 2012.
- The Global Transportation Hub (GTH) is one of the most important economic development initiatives in Saskatchewan. The project consists of about 2,000 acres of serviced land; a new higher-capacity Inter-Model Facility (IMF) by Canadian Pacific; and a one-million ft^2 distribution centre operated by Canadian Logistics Services to serve Loblaw's stores. Discussions are well-advanced with other potential GTH tenants.
- The ground breaking ceremony for the Grasslands Regional Shopping Centre marked the official launch of the 90-acre development adjacent to the Harbour Landing residential area in southwest Regina. The first phase will include about 41 stores including Wal-Mart Super Centre, Reitmans, Jones New York and Urban Barn.
- Regina Centre Crossing opened at the former Superstore site. Tenants include Century West, Walker Projects, Tourism Saskatchewan, AECOM, Phoenix Group and the Saskatchewan Roughriders training facility.

- The new $55.5-million Saskatchewan Disease Control Laboratory opened in Regina. The lab will enhance existing services such as testing environmental specimens, food-borne illnesses, communicable diseases and influenza.
- Eight municipalities – Regina, Moose Jaw, Belle Plaine, Grand Coulee, Pense and the rural municipalities of Moose Jaw, Pense and Sherwood – signed an agreement forming the Moose Jaw-Regina Industrial Corridor. The agreement will see the communities work together to create a growth strategy for the region.
- Seventeen new businesses opened downtown in 2010.
- Construction began on the first Lowe's home improvement store in Saskatchewan.
- Harvard Developments announced plans to build a $100-million, 20-storey high rise in downtown Regina – Hill Centre III. Construction on the 200,000 ft^2 building is expected to be completed in 2012.
- Avison Young announced plans for a four-storey, 80,000 ft^2 office building in downtown Regina and a 45,000 ft^2 medical use office building on Dewdney Avenue near the Pasqua Hospital. Both projects are slated to begin in spring 2011.
- Plans were announced for a 10-storey condominium complex in downtown Regina. It is expected to be ready for occupancy in late 2012.
- Regina's high school students can now get exceptional exposure to the skilled trades that may influence their career choices through the Trades and Skills Construction Apprenticeship Program (TASCAP), Culinary Arts and Construction Prep Programs.
- Enrolment at the University of Regina increased by 4 per cent to about 9,000 full-time students. Fall saw the first intake of students into the University of Regina's UR Guarantee program – a program that guarantees students a successful career following the completion of their undergraduate degree.
- The City of Regina implemented a new on-line recruitment system allowing citizens to easily search and keep track of job openings at the City.

City Council

City Council is responsible for the governance of the City of Regina, subject to Provincial legislation. Members of City Council are elected every three years in a municipal election. The Mayor is elected at large. The City of Regina uses a ward system for electing Councillors, with the city divided into ten wards and one Councillor elected in each ward. City Council's primary responsibility is to provide policy direction for the operation of the City. Council also sets the long-range service goals, and approves operating and capital budgets.

The Mayor presides at all meetings of City Council and is the ceremonial head of the municipal government. The Mayor and City Clerk are the municipality's official signing officers. City Council members for the 2009 - 2012 term are shown below.

Back Row:
Councillor Michael Fougere
Councillor Fred Clipsham
Councillor Chris Szarka

Middle Row:
Councillor Jocelyn Hutchinson
Mayor Pat Fiacco
Councillor John Findura
Councillor Wade Murray

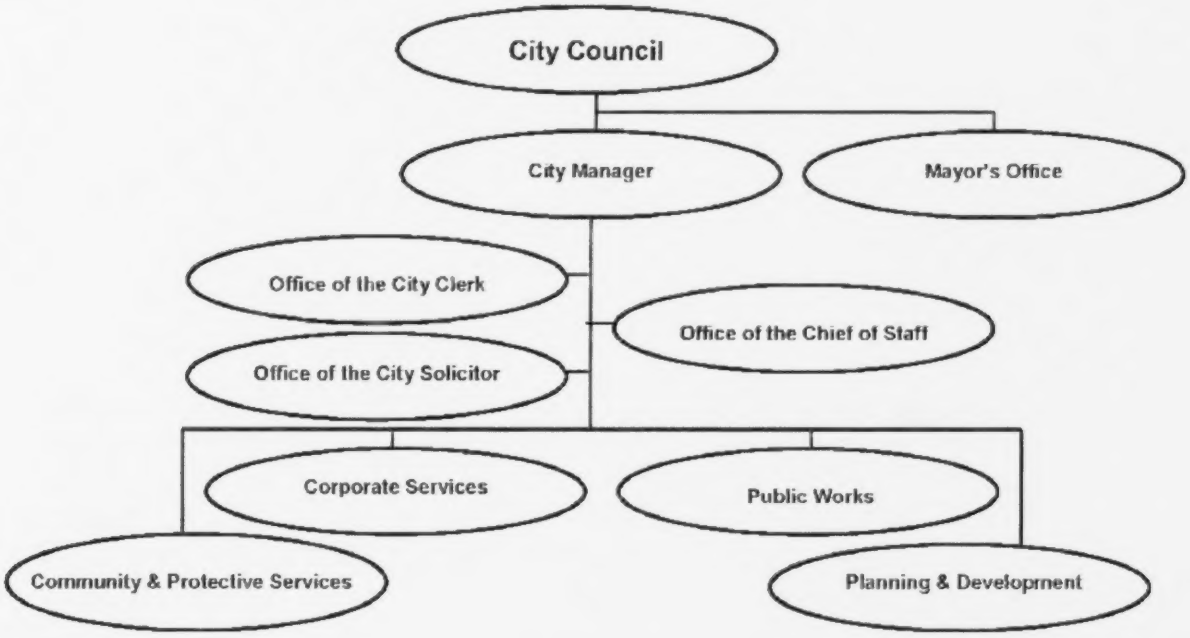
Front Row:
Councillor Louis Browne
Councillor Mike O'Donnell
Councillor Terry Hincks
Councillor Sharron Bryce

City Administration

The City Manager is the Chief Administrative Officer of the City and is appointed by City Council. The City Manager's Bylaw 2003-70 outlines the responsibilities, accountabilities, and authority for the position. The City Manager advises Council on all matters related to the City's programs and services and is responsible and accountable for directing and organizing the administration to achieve the goals and objectives of City Council in the most economic, effective, and efficient manner.

The City of Regina, pursuant to *The Police Act, 1990*, is responsible for maintaining law and order within its boundaries. The City appoints a Board of Police Commissioners that is responsible for the delivery of policing services within the municipality, providing general direction, policy and priorities and developing long-term plans. The Board appoints a Chief of Police, who is responsible for the management, administration, and operation of the Police Service, the maintenance of law and order within the municipality, and discipline within the Police Service. The annual Police budget must be approved by City Council.

City of Regina Organizational Structure

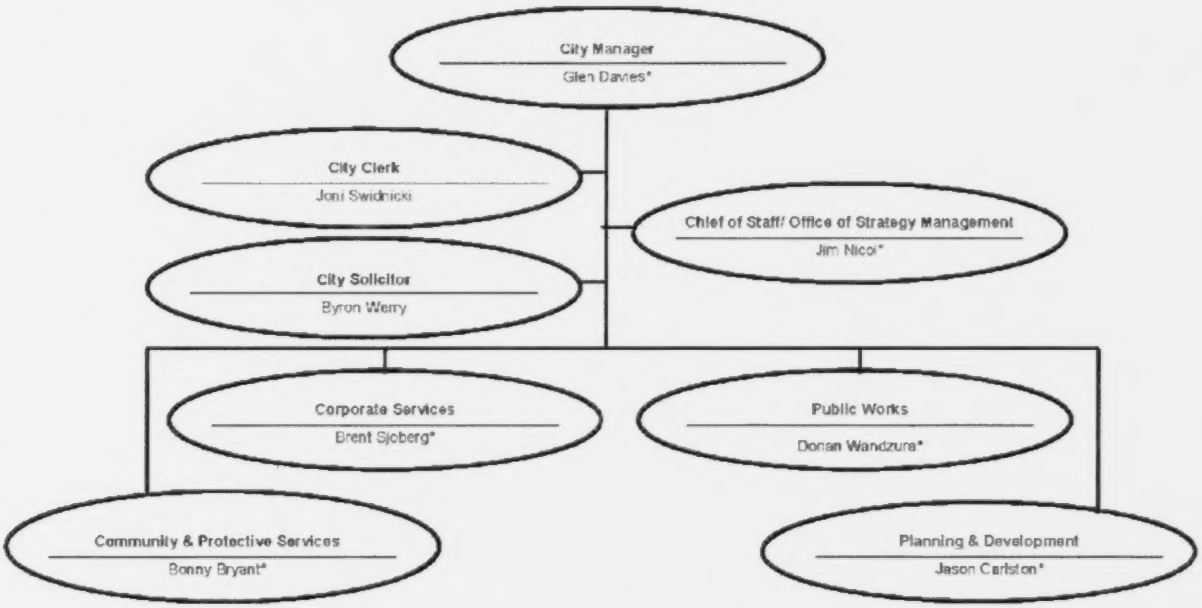


Office of the City Manager

The management of the civic administration of the City of Regina (excluding the Regina Police Service) is the responsibility of the City Manager. Appointed by City Council, the City Manager's authority is established by the City Manager's Bylaw 2003-70 and Regina Administration Bylaw 2003-69. The City Manager is responsible to City Council for the efficient and effective operation of the City in accordance with City Council policies, decisions and bylaws. The City Manager provides executive direction, strategic guidance and governance support on matters of municipal governance, strategy and protocol, and ensures the City operates according to legislative requirements.

The Office of the City Manager includes the Office of the City Solicitor, the Office of the City Clerk, and the Office of Strategy Management. The Office of Strategy Management includes the following branches: Communications, Government Relations, Service Regina and Strategy & Performance.

Office of the City Manager

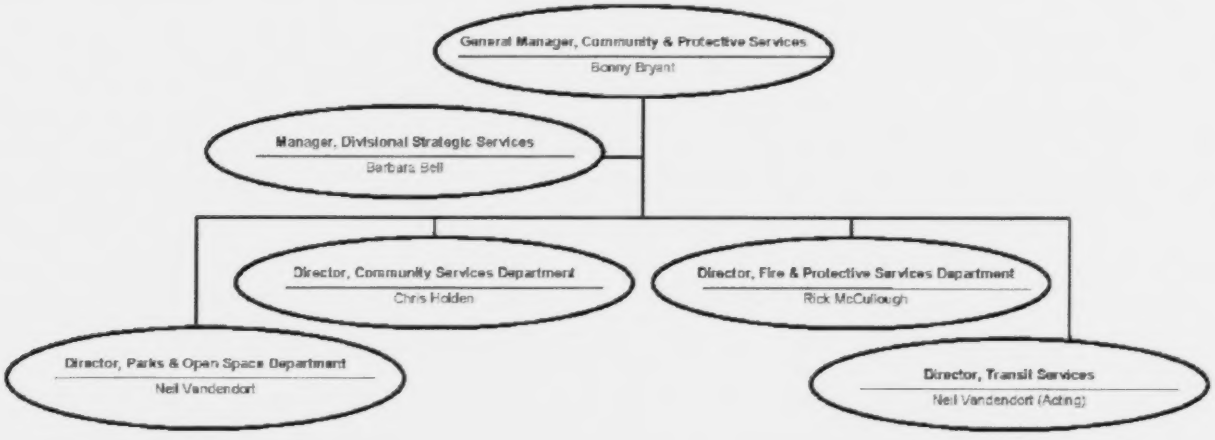


**denotes members of the Executive Leadership Team.*

Community & Protective Services Division

Community & Protective Services is dedicated to engaging and supporting the citizens of Regina. The department contributes to building a safe, healthy and caring community by providing fire and protective services, parks and open space services, community, recreation and cultural programs and services, and public transportation services that respond to the community's needs and expectations.

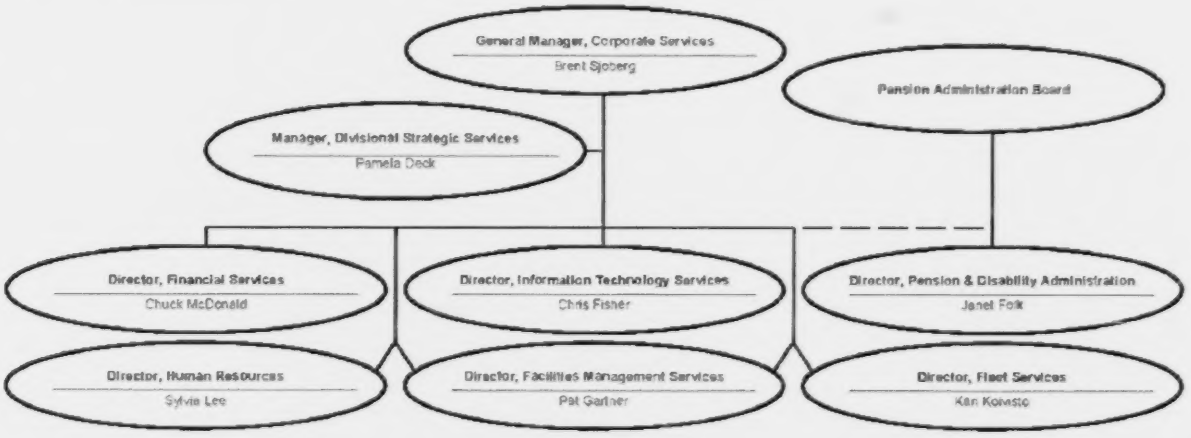
Community & Protective Services Division



Corporate Services Division

The Corporate Services Division provides services and support to both internal and external customers, enabling City operations to maximize effectiveness and potential. The Corporate Services team includes: Financial Services, Information Technology Services, Human Resources, Fleet Services and Facilities Management Services. The Director of Pension and Disability reports to the Pension Administration Board.

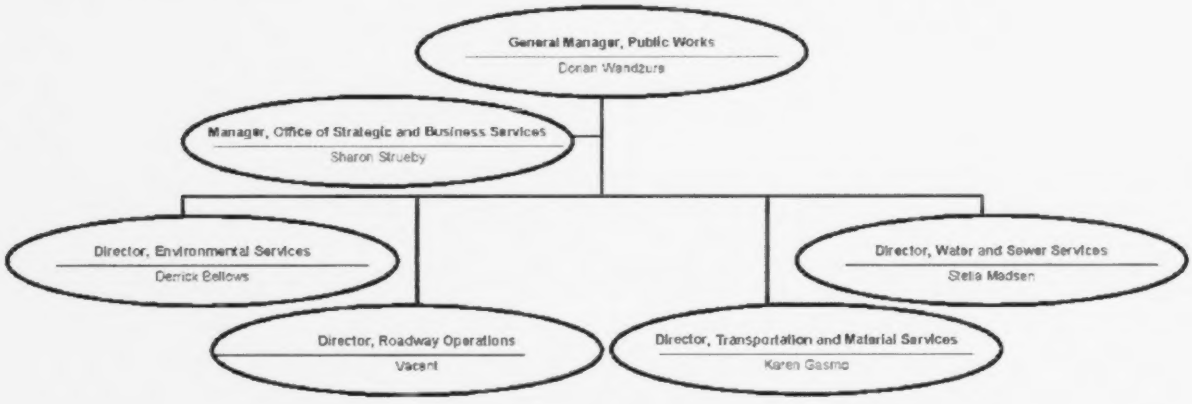
Corporate Services Division



Public Works Division

The Public Works Division ensures the City's municipal infrastructure systems are effectively preserved, funded and operated. This division is dedicated to implementing best practices that advance safety, consistency, efficiency, reliability and customer service. Specifically, preserving and operating municipal infrastructure involving roadways, traffic, water, drainage, waste water and solid waste to meet regulatory requirements and community needs.

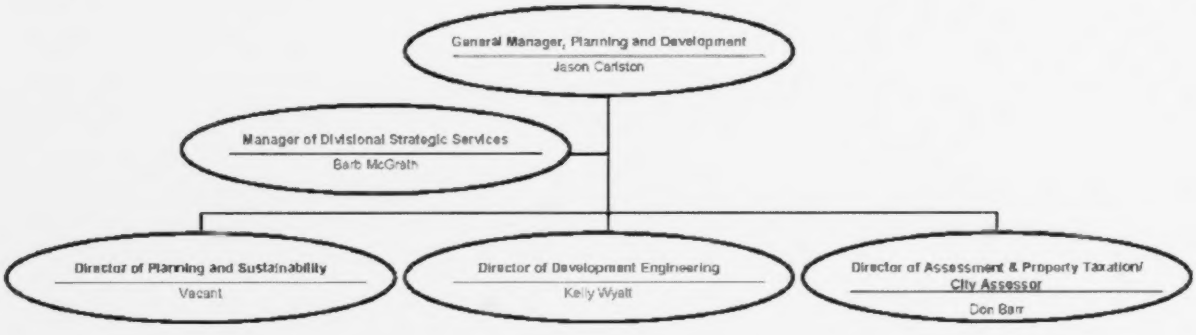
Public Works Division



Planning and Development Division

Planning and Development provides a long-term comprehensive approach to planning, engineering and development processes to ensure the efficient use of land and community infrastructure in creating a city that reflects Council's Vision and the goals of Regina residents. Specifically, the Division encompasses land use, neighbourhood, transportation and infrastructure planning, long-range capital planning, development review, building permits and inspections and real estate services.

Planning & Development Division



Regina Police Services

The City of Regina, pursuant to *The Police Act, 1990*, is responsible for maintaining law and order within its boundaries. The City appoints a Board of Police Commissioners that is responsible for the delivery of policing services within the municipality, providing general direction, policy and priorities and developing long-term plans. The Board appoints a Chief of Police, who is responsible for the management, administration and operation of the Service, the maintenance of law and order within the municipality, and discipline within the organization. The annual police budget must be approved by City Council.

Our Future

The City of Regina continues to experience increased growth and opportunity, by all indications. According to the Conference Board of Canada's Metropolitan Outlook, Winter 2011, "Regina's GDP will grow by 3.5 per cent in 2011, thanks to busy construction and manufacturing activity." The same report predicts economic growth will average 3.6 per cent for the next four years. In 2011, population growth is expected to average 1.4 per cent, unemployment to average 4.6 per cent, and employment to increase by 3.3 per cent.

Our corporate strategic plan, *Accelerating Excellence,* guides our work to seize opportunity, address community issues, and manage our growth in order to make our vision for Regina a reality. Our five-year strategic plan provides a blueprint for building our vision from now through 2012.

The City of Regina has announced its 2011 budget, and will build the vision for Regina through the following areas of investment this year:

1. Building and maintaining our streets and bridges
2. Supporting safe communities
3. Delivering services that enhance quality of life
4. Growing our city responsibly

In 2011 and going forward, the Provincial government will deliver on the full Municipal Operating Grant. While the City fiscal year runs from January to December, past budgets could not be finalized until the spring, once provincial funding had been confirmed. Now that the City of Regina has a predictable funding stream from the provincial government, the administration is advancing the budget process to synchronize it with the fiscal year-end. This shift will improve our ability to tender and secure service contracts, while making it easier to deliver on our budgets.

One of the greatest issues to be addressed to ensure the long-term health and vibrancy of our community is additional stable funding. The City of Regina will continue to look for alternative revenues to continue to provide quality services to our community at a reasonable cost to taxpayers.

Another pressing issue is the need for infrastructure investment. In 2011, the City of Regina is making investments such as $22.8 million in repairing streets and bridges, $21.9 million in new road construction and $12.9 million in maintaining and upgrading the City's fleet. As with other municipalities across Canada, the City of Regina will need to make significant infrastructure investments in the coming years.

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FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

December 31, 2010

INTRODUCTION

The City of Regina 2010 Annual Financial Report contains the audited Consolidated Financial Statements prepared in accordance with principles and standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, as required by *The Cities Act*.

The following financial statement discussion and analysis was prepared by City of Regina Administration. It should be read in conjunction with the audited Consolidated Financial Statements and schedules.

HIGHLIGHTS

- The 2010 Consolidated Financial Statements report net financial assets of $28 million, an increase of $9 million from $19 million at the end of 2009. A net financial asset position indicates financial resources are on hand to finance future operations.
- The 2010 Consolidated Financial Statements also show an excess of revenues over expenses of $91 million compared to $56 million in 2009.
- The City's accumulated surplus increased from $987 million at the end of 2009 to $1.078 billion at December 31, 2010. Virtually all of the accumulated surplus is tied up in non-financial assets, such as tangible capital assets. Our non-financial assets were $1.050 billion at the end of 2010: Net financial assets are a better indicator of the financial resources on hand to finance future operations.
- Revenues decreased by $13 million while expenses decreased $48 million from 2009. The decrease in expenses is primarily due to Regina Pioneer Village's expenses no longer being shown in the City's financial statements since it is no longer being controlled by the City and the completion of the Evraz Place Revitalization Project in 2009.
- The City's reserves increased by $40 million to $144 million primarily due to the General Utility Reserve, which increased by $40 million as the City builds its financial resources to fund the upgrade to the wastewater treatment plant. The General Fund Reserve decreased by less than $1 million.

Demographic and Economic Information

	2010	2009	2008	2007	2006
Population (Census Metropolitan area)	215,000	210,000	205,000	201,500	195,000
Building permits					
Number	2,539	2,307	2,387	2,175	1,919
Values ($000)	426,800	458,400	342,800	336,100	276,900
Urban dwelling starts	1,347	867	1,138	1,114	970
Inflation rate for Regina (%)	1.5%	1.7%	3.2%	2.6%	1.9%
GDP Growth for Regina (%)	2.3%	0.1%	4.1%	3.1%	2.3%
Unemployment rate (%)					
Regina	4.8%	4.4%	3.9%	5.0%	4.9%
Saskatchewan	5.2%	5.8%	4.1%	4.2%	4.3%
Canada	8.0%	8.2%	6.1%	6.0%	6.3%
Average selling prices of homes ($)	258,000	244,000	229,000	166,000	132,000

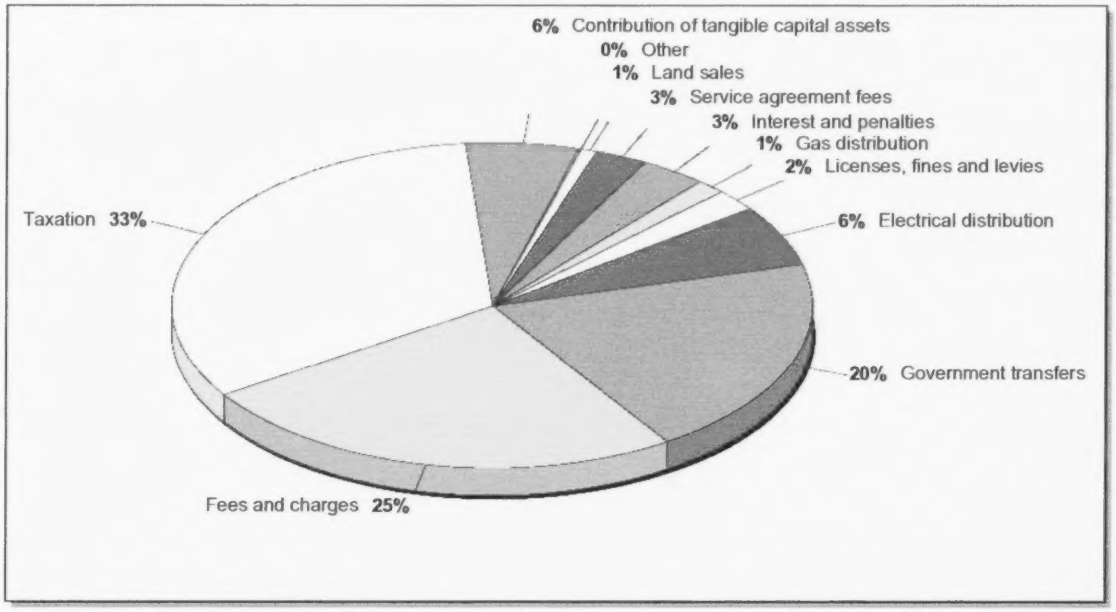
ANALYSIS

Revenues - Budget to Actual and Prior Year Comparison

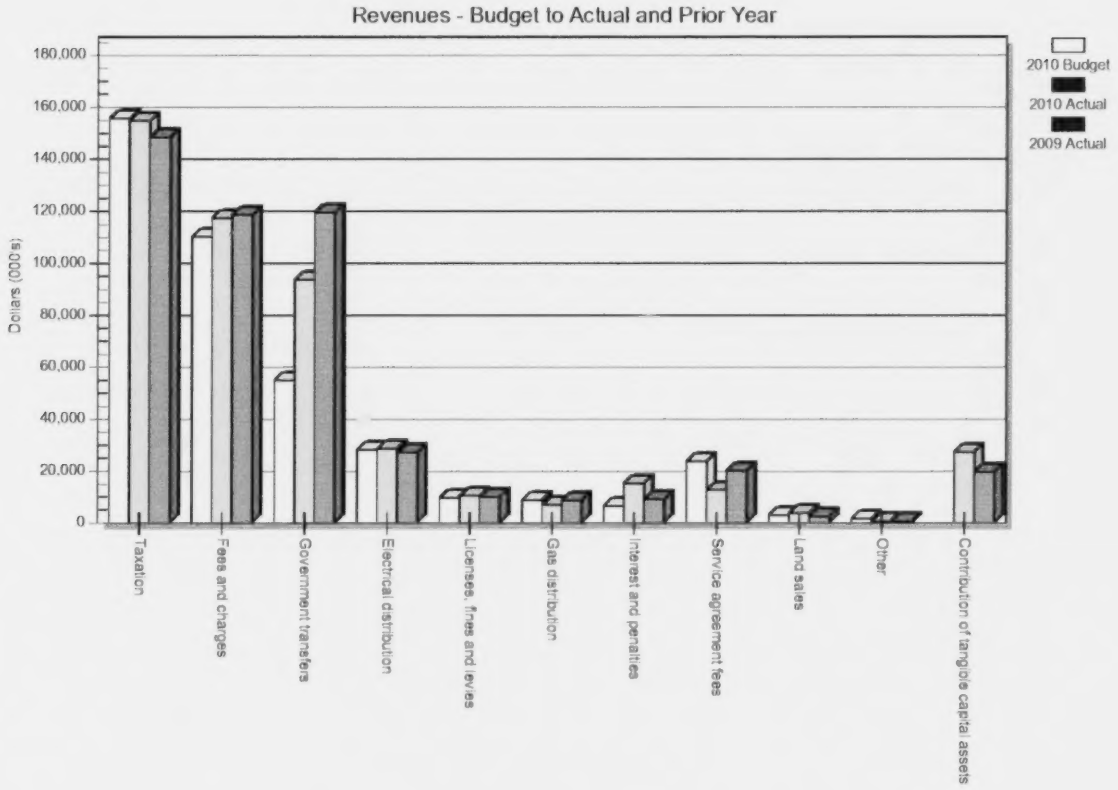
	2010 Budget	2010 Actual	Variance Favourable (Unfavourable)	2009 Actual	Increase (Decrease)
Taxation	155,766	154,746	(1,020)	148,529	6,217
Fees and charges	110,212	117,503	7,291	118,735	(1,232)
Government transfers	55,078	93,723	38,645	119,601	(25,878)
Electrical distribution	28,262	28,633	371	27,110	1,523
Licenses, fines and levies	9,576	10,166	590	9,863	303
Gas distribution	8,655	6,875	(1,780)	8,532	(1,657)
Interest and penalties	6,372	15,465	9,093	8,990	6,475
Service agreement fees	23,637	12,537	(11,100)	20,187	(7,650)
Land sales	3,000	3,636	636	2,474	1,162
Other	1,489	459	(1,030)	693	(234)
Contribution of tangible capital assets	-	27,386	27,386	19,828	7,558
	402,047	471,129	69,082	484,542	(13,413)

The schedule above includes both operating and capital revenues.

2010 Revenue



ANALYSIS (cont'd)



Government transfers were $38.6 million or 70.2% above budget primarily due to government transfers being budgeted on a cash basis while actuals are recorded when related expenses are incurred. The variability with budget is due mainly to capital grants, which vary from year to year. Government transfers in 2010 were $25.9 million less than 2009 primarily due to Regina Pioneer Village's revenue not being recorded on the consolidated financial statements in 2010 since this organization is no longer controlled by the City of Regina.

Contribution of tangible capital assets for 2010 were $27.4 million above budget since this item is not budgeted for. They were $7.6 million higher than 2009 primarily due to more roads and underground networks being completed in 2010 by developers of Harbour Landing and Creeks. This revenue includes tangible capital assets, such as land, roads, and underground networks, the City receives at no cost or below fair market value. However the City will be expected to maintain and rehabilitate these assets from this point forward.

ANALYSIS (cont'd)

Service agreement fees for 2010 were $11.1 million below budget and $7.7 million less than 2009 primarily due to a decrease in development.

Interest and penalties for 2010 was $9.1 million above budget and $6.5 million higher than 2009 primarily due to funds being moved from short-term to long-term investments for a higher return and also a gain on sale of bonds.

Fees and charges for 2010 were $7.3 million or 6.6% above budget primarily due to higher than anticipated building permit fees, landfill revenues due to higher than anticipated tonnage from a wet spring and higher residential loads than anticipated.

Taxation revenue for 2010 was $1.0 million or 0.7% under budget primarily due to taxation assessment values being reduced after budget approval, but prior to actual tax billings. The increase of $6.2 million compared to 2009 was primarily due to an increase in the number of properties coming onto the assessment roll during the year and a 4% increase in the mill rate.

Electrical distribution increased $1.5 million as compared to 2009 primarily due to an increase in electrical rates. **Gas distribution** in 2010 was $1.8 million below budget and $1.7 million less than 2009 primarily due a decrease in consumption and rates.

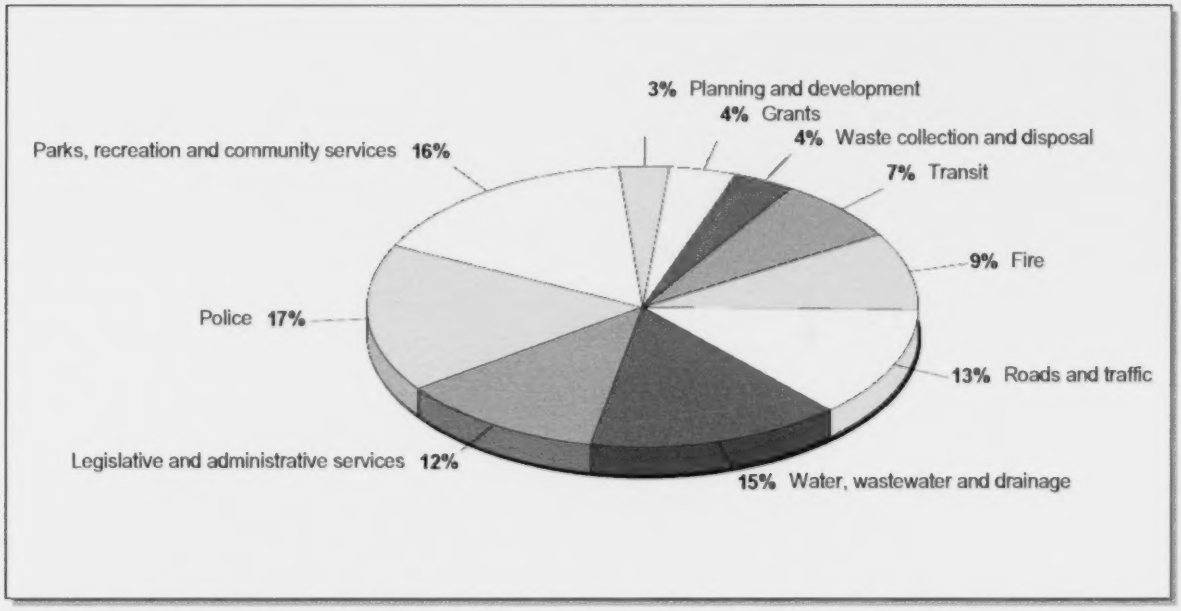
ANALYSIS (cont'd)

Expenses - Budget to Actual and Prior Year Comparison

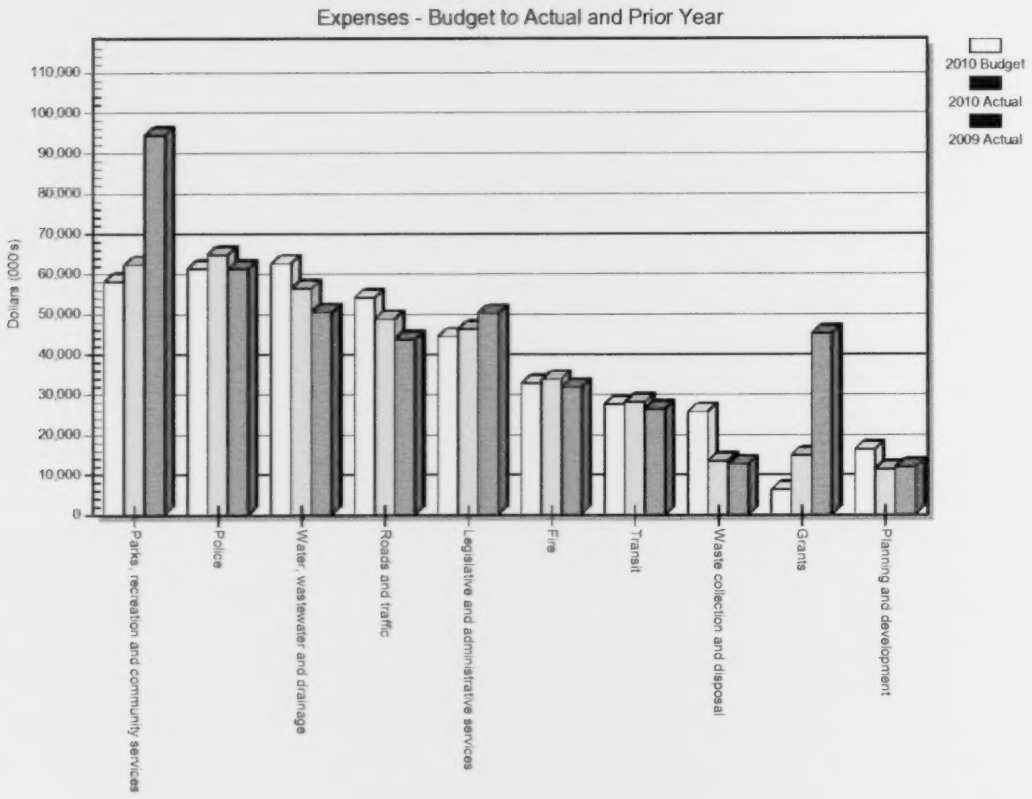
	2010 Budget	2010 Actual	Variance Favourable (Unfavourable)	2009 Actual	Increase (Decrease)
Parks, recreation and community services	58,059	62,339	(4,280)	94,582	(32,243)
Police	61,324	64,856	(3,532)	61,261	3,595
Legislative and administrative services	44,468	46,244	(1,776)	50,193	(3,949)
Water, wastewater and drainage	62,588	56,409	6,179	50,510	5,899
Roads and traffic	54,093	48,788	5,305	43,814	4,974
Fire	32,738	33,787	(1,049)	31,736	2,051
Transit	27,676	28,085	(409)	26,400	1,685
Waste collection and disposal	25,674	13,467	12,207	12,695	772
Grants	6,154	14,932	(8,778)	45,168	(30,236)
Planning and development	16,303	11,378	4,925	12,039	(661)
	389,077	380,285	8,792	428,398	(48,113)

The schedule above includes both operating and capital expenses.

2010 Expenses



ANALYSIS (cont'd)



Parks, recreation and community services expenses for 2010 were $32.2 million less than 2009 primarily due to Regina Pioneer Village's expenses not being recorded on the consolidated financial statements in 2010 since they are no longer controlled by the City of Regina.

Roads and traffic expenses were $5.0 million higher than 2009 primarily due to a $1 million increase in amortization expense and an increase in winter road maintenance expenses.

Water, wastewater and drainage were $6.2 million below budget primarily due to salary lag and less maintenance, such as leaks and breaks to fix. They were also $5.9 million higher than 2009 primarily due to more work being done on the Global Transportation Hub in 2010.

Waste collection and disposal expenses were $12.2 million below budget primarily due to actual tangible capital expenditures being higher than budgeted. Tangible capital expenditures are subtracted to arrive at the

ANALYSIS (cont'd)

budget and actual expense amounts.

Grants expenses were $8.8 million above budget primarily due to the grant provided for the Evraz Place Revitalization Project being unbudgeted. Grant expenses for 2010 were $30.2 million lower as compared to 2009 primarily due to the Evraz Place Revitalization Project being completed in 2009.

For purposes of establishing and monitoring budgets operating, capital and utility expenses are considered separately. Overall, the General Operating Fund expenses were over budget by $3.9 million or just over 1%. The largest variances were:

- $2.3 million related to winter road maintenance due to greater resources required to deal with street conditions and greater than expected damage to property.

- $1.2 million related to commercial and residential waste collection increase due to above average rainfall and resulting increase in tipping fees, landfill fleet and crushed concrete charges.

General Capital Fund - Budget to Actual Comparison

	Budget 2010	Actual 2010	Actual 2009	Actual 2008	Actual 2007	Actual 2006
Revenues						
Government transfers						
Federal	15,475	31,581	26,696	16,903	10,981	6,100
Provincial	750	8,527	23,976	4,724	189	4,403
Service agreement fees	7,392	6,790	10,583	2,449	3,885	2,713
Miscellaneous revenues	1,235	17,606	8,213	2,064	2,062	1,232
	24,852	64,504	69,468	26,140	17,117	14,448
Expenses	70,531	53,841	83,282	64,126	40,214	42,137
(Expenses over revenues) revenues over expenses	(45,679)	10,663	(13,814)	(37,986)	(23,097)	(27,689)

Actual revenues only reflect the funding that is spent in the year referred to. Additional funding may be available for future years.

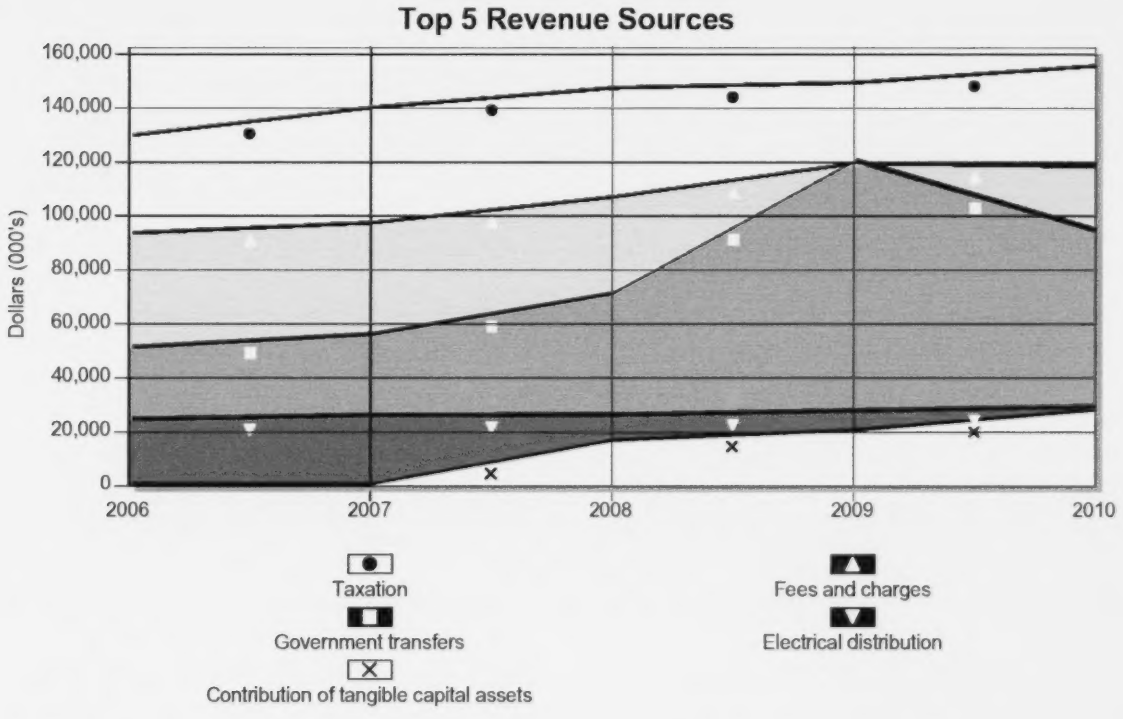
There is generally more variability in actuals to budget for capital projects. City Council approves budgets for each capital project based on the maximum forecast expenditure for the year to accommodate the planning and scheduling requirements associated with capital projects. There is typically a portion of the year's budget carried forward to future years for projects not completed within the fiscal year. At the end of 2010, the carry-forward amount available in the General Capital and Utility Capital funds was $99.0 million (2009 - $129.8 million).

December 31, 2010

SIGNIFICANT TRENDS

Revenue Summary

	2010	2009	2008	2007	2006
Taxation	154,746	148,529	146,543	139,263	128,936
Fees and charges	117,503	118,735	106,167	96,643	92,672
Government transfers	93,723	119,601	70,526	55,369	50,515
Electrical distribution	28,633	27,110	25,429	25,378	23,904
Licenses, fines and levies	10,166	9,863	9,328	8,441	8,724
Gas distribution	6,875	8,532	9,316	8,449	8,710
Interest and penalties	15,465	8,990	7,257	7,003	6,470
Service agreement fees	12,537	20,187	3,899	5,670	3,970
Land sales	3,636	2,474	4,824	2,337	3,257
Other	459	693	1,725	2,000	1,048
Contribution of tangible capital assets	27,386	19,828	16,150	-	-
	471,129	484,542	401,164	350,553	328,206



SIGNIFICANT TRENDS (cont'd)

Taxation revenue generally increases with growth and tax rate increases.

Taxation revenues result from municipal and library taxes levied on all properties in the City and business improvement levies assessed by the Business Improvement Districts on properties in the districts.

Property taxes are calculated by applying a mill rate and mill rate factor to each property assessment. The mill rate and mill rate factor together are known as the tax rate.

Taxable assessment	x	Mill rate	x	Mill rate factor	=	Property tax

Taxable Property Assessment
(in thousands of dollars)

Year	Total
2010	9,263,912
2009	9,082,727
2008	6,345,177
2007	6,276,037
2006	6,348,482

SIGNIFICANT TRENDS (cont'd)

	Mill Rates				Business Improvement Levies	
Year	Municipal	Schools	Library	Total	Regina Downtown	Regina's Warehouse Business Improvement District
2010	13.9797	n/a - See Note	1.5401	15.5198	0.8205	0.9785
2009	13.4420	n/a - See Note	1.4967	14.9387	0.8205	0.8809
2008	18.9130	19.7393	2.1059	40.7582	1.3107	1.3107
2007	18.3907	19.0166	2.0267	39.4340	1.3107	1.3107
2006	17.6987	18.5528	1.9320	38.1835	1.3107	1.1300

Notes:
- 2009 was a reassessment year and the mill rates and business improvement levies were restated to revenue neutral rates. The revenue neutral rates for 2009 were as follows:

Municipal mill rate - 13.4420
Library mill rate - 1.4967
Regina Downtown levy - 0.6912
Regina's Warehouse Business Improvement District levy- 0.8809

- The Provincial Government announced changes to the way education costs are funded by the province and to the way that education property taxes are calculated beginning in 2009:

- The province now sets province wide mill rates to calculate the education tax for properties.
- The education tax credit program has been discontinued and education tax credits no longer apply.
- The province has changed the level of direct funding for school boards.
- The Province wide mill rates for 2009 are: Agricultural at 7.08, Residential (including Condominiums and Multi-family) at 10.08, Commercial & Industrial (tiered rates) – Assessment up to $499,999 at 12.25, Assessment of $500,000 to $5,999,999 at 15.75 and Assessment of over $6,000,000 at 18.55.

	Municipal Mill Rate Factors				
Property Class/Subclass	2010	2009	2008	2007	2006
Residential	0.90059	0.89783	0.85494	0.84803	0.84113
Condominiums	0.90059	0.89783	0.85494	0.84803	0.84113
Multi family residential	0.90059	0.93390	1.03147	1.11284	1.19420
Commercial and Industrial	1.22945	1.22945	1.34557	1.34557	1.34557
Golf courses	0.92187	0.92187	0.94826	0.94826	0.94826
Agriculture	1.22945	1.22945	1.34557	1.34557	1.34557

SIGNIFICANT TRENDS (cont'd)

Tax Levies and Collection
(in thousands of dollars)

	2010	2009	2008	2007	2006
Municipal tax levy	139,614	133,919	131,870	125,947	116,474
School boards tax levy	114,690	113,548	120,126	115,650	110,209
Library tax levy	15,132	14,610	14,673	13,316	12,462
Total tax levy	269,436	262,077	266,669	254,913	239,145
Tax levy per capita** ($)	1,253	1,248	1,301	1,265	1,226
Tax levy per household* ($)	3,170	3,083	3,137	2,999	2,814
Tax arrears, end of year (prior to allowance for doubtful accounts)	5,258	5,471	5,049	4,543	5,350
Arrears as a % of total tax levy	1.95%	2.09%	1.89%	1.78%	2.24%

* Household figure from Stats Canada 2006 census (84,998) is for the Census Metropolitan Area. Census performed every 5 years therefore same figure used for all 5 years.

** Population figure is for the Regina Census Metropolitan Area.

Major Property Taxpayers in Regina in 2010

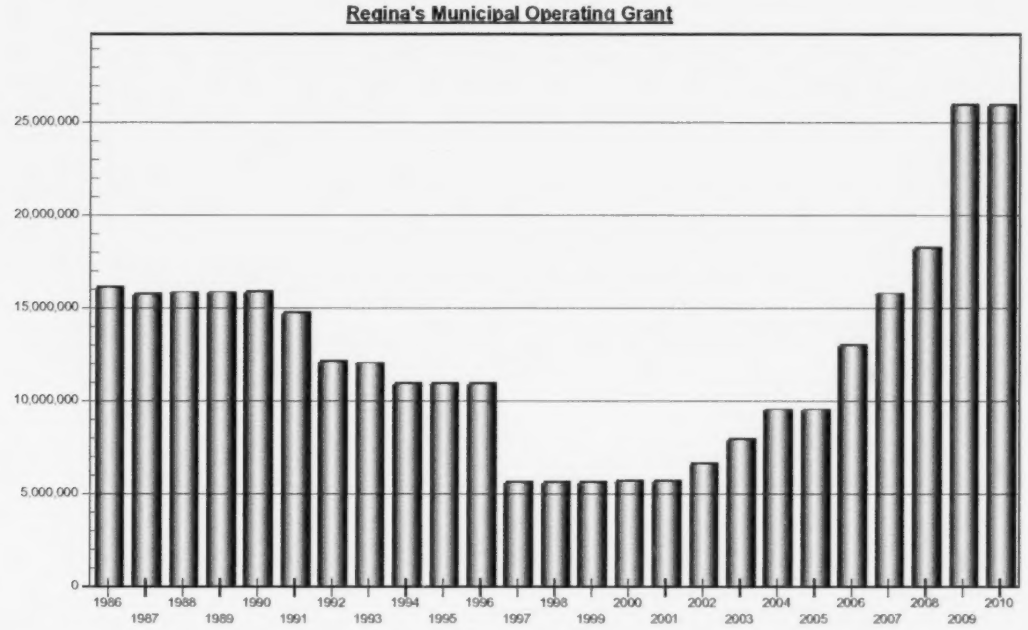
	Registered Owner	Total Taxable Assessment (in thousands of dollars)	% of Total Taxable Assessment
1.	HDL Investments Inc.	85,566	0.92%
2.	Consumers' Co-operative Refineries Limited	85,281	0.92%
3.	Boardwalk REIT Properties Holdings Ltd.	84,834	0.92%
4.	Cornwall Centre Inc.	76,315	0.82%
5.	Harvard Developments Inc.	68,162	0.74%
6.	Gordon Road Property Holdings Inc.	65,876	0.71%
7.	1532652 Ontario Limited	47,391	0.51%
8.	First Willow Developments Ltd.	39,401	0.43%
9.	Saskatchewan Housing Corporation	39,215	0.42%
10.	SGC Holdings Inc.	35,111	0.38%
11.	Fortis Properties Corporation	32,881	0.35%
12..	Narland Properties (Victoria Square) Ltd.	30,074	0.32%
13.	First Roughriders Developments Limited	29,709	0.32%
14.	Loblaw Properties West Inc.	29,685	0.32%
15.	Dundeal Canada West (GP) Inc.	27,042	0.29%
	Total	776,543	8.37%
	Total 2010 taxable assessment	9,263,912	-

The list of major taxpayers does not include properties where grant or payments in lieu of property tax are paid.

SIGNIFICANT TRENDS (cont'd)

Fees and charges revenue has generally increased due to rate increases, with some increase over the past few years due to higher building activity. The largest portion of the increase is attributable to increased water and sewer utility rates required to fund infrastructure improvement to meet water and sewer treatment quality standards. Fees and charges revenue decreased from 2009 to 2010 due to Regina Pioneer Village's revenue not being recorded since it is no longer controlled by the City of Regina.

Government transfers includes both operating and capital transfers and reflects the variability in various Federal and Provincial capital grant programs. The Provincial municipal operating grant (previously known as revenue sharing grant) is the largest single grant program available to the City of Regina. The following graph shows the Provincial municipal operating grants received by Regina since 1986.



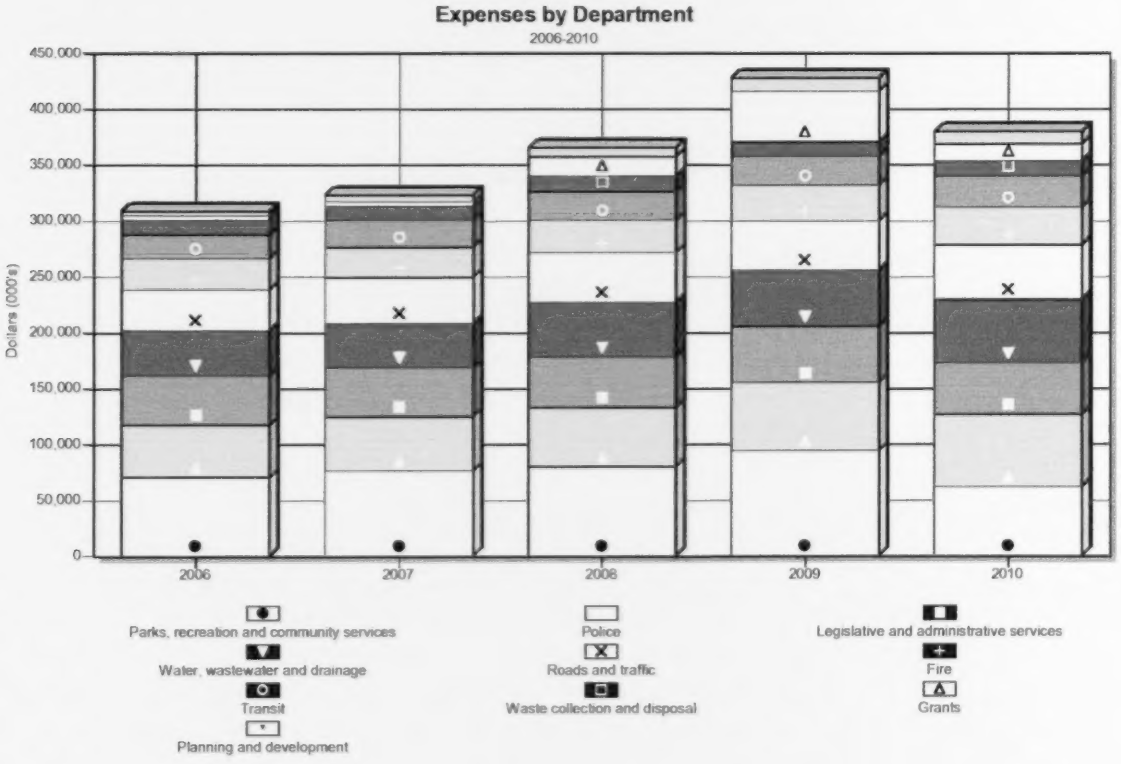
Electrical and gas distribution revenues reflect a trend of increasing rates for electricity and volatile rates for natural gas. Electrical consumption has been relative steady over the past ten years. Natural gas consumption decreased about 5.5% in 2006, increased by 4.7% in the years 2007 and 2008, increased 10.8% in 2009, and decreased by 10.1% in 2010.

Service agreement fees and **contribution of tangible capital assets** reflect a trend of increased development in the city.

SIGNIFICANT TRENDS (cont'd)

Expense Summary

	2010	2009	2008	2007	2006
Parks, recreation and community services	62,339	94,582	80,673	76,924	71,177
Police	64,856	61,261	53,001	48,492	46,658
Legislative and administrative services	46,244	50,193	44,826	44,104	44,400
Water, wastewater and drainage	56,409	50,510	49,234	39,415	40,264
Roads and traffic	48,788	43,814	44,194	40,976	36,643
Fire	33,787	31,736	29,182	26,905	27,645
Transit	28,085	26,400	25,353	24,602	21,528
Waste collection and disposal	13,467	12,695	14,082	11,998	12,794
Grants	14,932	45,168	17,016	4,404	4,171
Planning and development	11,378	12,039	8,658	5,863	3,716
Total	380,285	428,398	366,219	323,683	308,996

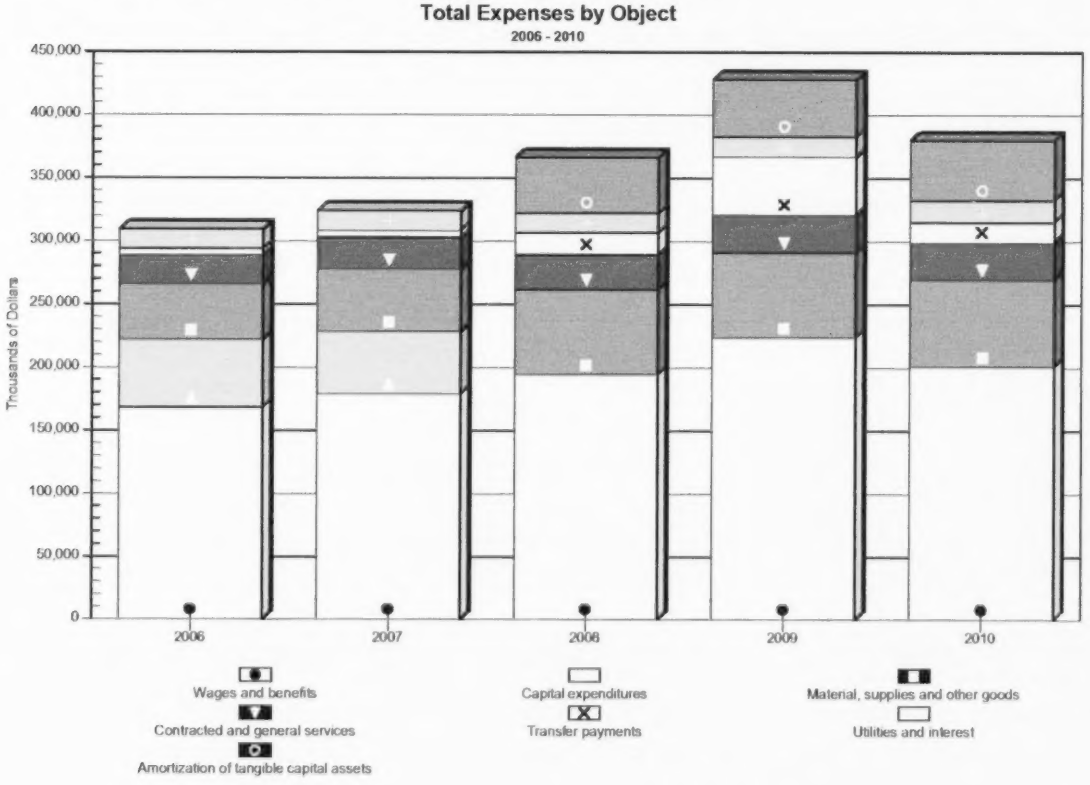


SIGNIFICANT TRENDS (cont'd)

Expense by Object

	2010	2009	2008	2007	2006
Wages and benefits	200,941	223,904	194,637	179,141	168,358
Capital expenditures	-	-	-	49,207	53,563
Material, supplies and other goods	68,934	67,262	67,233	49,524	44,152
Contracted and general services	29,277	29,813	27,432	25,407	23,097
Transfer payments/grants	15,839	45,873	17,606	5,231	4,879
Utilities	13,163	12,685	13,583	12,656	11,888
Interest	4,330	3,662	2,137	2,517	3,059
Amortization of tangible capital assets	47,801	45,199	43,591	-	-
Total	380,285	428,398	366,219	323,683	308,996

The following graph displays the proportion of total expenses by object:



SIGNIFICANT TRENDS (cont'd)

Wages and benefits have generally increased over the past five years due to wage increases and an increase in employees. The number of employees (FTE's) funded through the General Operating Fund over the past five years is as follows:

2010 - 2,276
2009 - 2,169
2008 - 2,106
2007 - 2,037
2006 - 1,999

Wages and benefits show a decrease in 2010 due to Regina Pioneer Village's expenses not being recorded in the consolidated financial statements since the City of Regina no longer controls the organization.

There are no **capital expenditures** in 2008 to 2010 due to the accounting change related to tangible capital assets. Capital expenditures are no longer expensed. Instead, amortization of tangible capital assets is expensed over the useful life of the assets.

Transfer payments/grants were large in 2009 due to the construction of the Evraz Place Revitalization Project.

SIGNIFICANT TRENDS (cont'd)

Statement of Financial Position

	2010	2009	2008	2007	2006
Financial assets					
Cash	26,385	15,456	11,524	14,563	11,661
Short-term investments	5,604	32,324	71,414	57,038	49,432
Accounts receivable	52,720	36,786	41,307	29,591	36,447
Taxes receivable	3,284	3,771	3,497	3,214	4,077
Long-term investments	195,145	216,755	79,045	75,208	52,349
	283,138	305,092	206,787	179,614	153,966
Financial liabilities					
Accounts payable and accrued liabilities	53,571	55,233	59,728	31,581	30,436
Taxes payable to school boards	4,894	5,026	4,967	4,927	11,691
Deferred revenue	16,424	44,313	22,987	20,648	8,131
Capital lease obligations	1,742	1,639	1,986	2,207	2,400
Long-term debt	98,250	106,600	35,754	43,290	53,869
Employee benefit obligations	48,926	43,683	37,109	36,404	35,821
Landfill closure and post-closure	31,658	29,732	27,667	22,450	20,381
	255,465	286,226	190,198	161,507	162,729
Net financial assets (liabilities)	27,673	18,866	16,589	18,107	(8,763)
Non-financial assets					
Tangible capital assets	1,044,820	962,886	908,486	-	-
Property held for resale	276	396	396	231	267
Materials and supplies	5,241	5,018	5,551	6,059	4,094
ACCUMULATED SURPLUS (DEFICIT)	1,078,010	987,166	931,022	24,397	(4,402)
ANNUAL SURPLUS	90,844	56,144	34,945	26,870	19,096

Investments

Fluctuations in short and long-term investments reflect the timing of debt issues ($84.6 million of debt was issued in 2009), Provincial and Federal government transfers, the expenditure of the proceeds on various capital projects, and management of investments to maximize interest revenue.

Accounts Receivable

Accounts receivable at the end of 2010 increased by $15.9 million as compared to 2009 primarily due to an increase in government transfers earned but not received related to gas tax funding and the Infrastructure Stimulus Fund.

SIGNIFICANT TRENDS (cont'd)

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include standard trade and payroll amounts payable as at December 31. The main reason for the increase in accounts payable and accrued liabilities from 2006 to 2010 is due to infrastructure work at Harbour Landing.

It also includes a contingency amount for potential losses on assessment appeals. There are currently a number of appeals outstanding at various levels of the appeal process relating to assessments for the years 2009 though 2010, with a total risk estimated at about $1.3 million. At the end of 2009, appeals were outstanding for 2007 through 2009, with a total risk of about $0.5 million. The risk is estimated by a review of each appeal including an analysis of the issues raised in the appeal and the potential reduction in assessment value.

Deferred Revenue

Deferred revenue increased in 2009 due to the increase in government transfers in that year. Government transfers that have not been spent on eligible projects are shown as deferred revenue on the Statement of Financial Position.

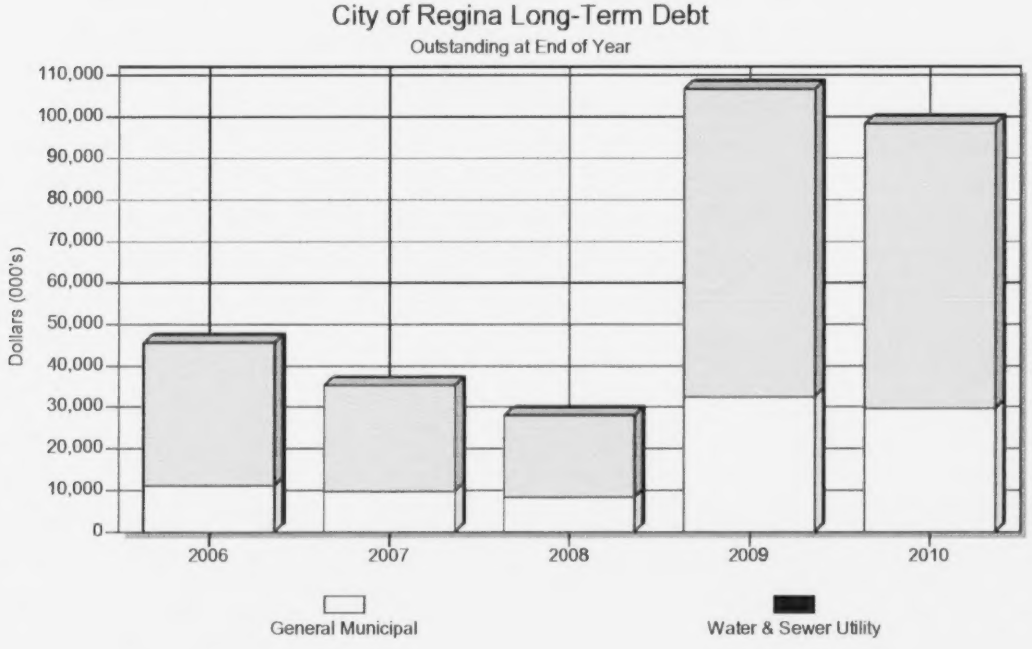
SIGNIFICANT TRENDS (cont'd)

City of Regina Long-Term Debt (Non-Consolidated)

	2010	2009	2008	2007	2006
Total debt outstanding, beginning of year	106,600	28,000	35,300	45,600	55,900
Debt issued during year	-	84,600	-	-	-
Debt repayments during year	(8,350)	(6,000)	(7,300)	(10,300)	(10,300)
Total debt outstanding, December 31	98,250	106,600	28,000	35,300	45,600
General municipal debt outstanding, end of year	29,656	32,500	8,400	9,800	11,200
Water & Sewer Utility debt outstanding, end of year	68,594	74,100	19,600	25,500	34,400
Total debt outstanding	98,250	106,600	28,000	35,300	45,600
Authorized debt limit, December 31	200,000	200,000	200,000	94,000	94,000
Debt per capita ($)**	457	508	136	175	234
Debt per household ($)*	1,156	1,254	329	415	536

* Household figure from Stats Canada 2006 census (84,998) is for the Census Metropolitan Area. Census performed every 5 years therefore same figure used for all 5 years.

** Population figure is for the Regina Census Metropolitan Area.



SIGNIFICANT TRENDS (cont'd)

In 2011, Standard & Poor's affirmed its 'AA+' credit rating for the City based on the City's ongoing commitment to sound fiscal management, healthy operating and after-capital expenditure surpluses, low debt and net creditor position, and good economic performance. The City has received an AA+ rating since its first credit rating in 1989. While the City's credit rating remains high, Standard and Poor's has reduced its financial outlook for the City of Regina to a rating of 'negative' from its 'stable' rating in 2009. This rating is most directly related to future pension liabilities and the infrastructure deficit that may cause the City to require significant new debt in the future.

The City's tax-supported debt was $29.7 million at the end of 2010, while debt incurred to fund the Water and Sewer Utility was $68.6 million. The City did not issue new debt in 2010 but it is expected that borrowing in the range of $134 million will be required over the period 2011-2015 to fund capital projects.

The City's authorized debt limit is $200,000 (2009 - $200,000). The debt limit is approved by the Saskatchewan Municipal Board pursuant to the provisions of *The Cities Act*. When service agreement fee credits are included the City is $90 million below its debt limit.

City of Regina Debt Service Costs

	2010	2009	2008	2007	2006
General municipal debt					
Principal	2,844	1,400	1,400	1,400	1,400
Interest	1,454	881	424	474	511
	4,298	2,281	1,824	1,874	1,911
Water and Sewer Utility					
Principal	5,506	4,600	5,900	8,900	8,900
Interest	3,097	2,043	1,267	1,646	2,007
	8,603	6,643	7,167	10,546	10,907
Total	12,901	8,924	8,991	12,420	12,818
Debt service costs as a % of total expenses	3.4%	2.1%	2.5%	3.8%	4.1%

SIGNIFICANT TRENDS (cont'd)

Employee Benefit Obligations

Employee benefit obligations include liabilities for pensions, sick and severance, vacation, and overtime. The increase in employee benefit obligations from 2006 to 2010 primarily reflects the impact of general wage increases and employees reaching the age of retirement. As a larger proportion of the City's work force reaches retirement age over the next five to ten years, the cash outlays relating to this obligation will continue to be significant.

Employee benefit obligations also include the liability for the Regina Police Pension. The Regina Civic Superannuation and Benefits Plan includes a larger group of employees, but since it is a multi-employer plan, it is not possible to determine the City's portion of the deficit and thus no amount is included in the statement of financial position for this plan. As disclosed in note 8 d) of the financial statements, an actuarial extrapolation completed of the plan for accounting purposes indicates a deficit of plan assets over the benefit obligation of $209.0 million at December 31, 2010 (2009 - $207.3 million deficit). In October 2010 an actuarial valuation was conducted as at December 31, 2009 showing a going-concern deficit of plan assets over the benefit obligation of $237.8 million.

	2010	2009	2008	2007	2006
City of Regina employer contributions	12,245	11,954	9,952	9,725	10,212

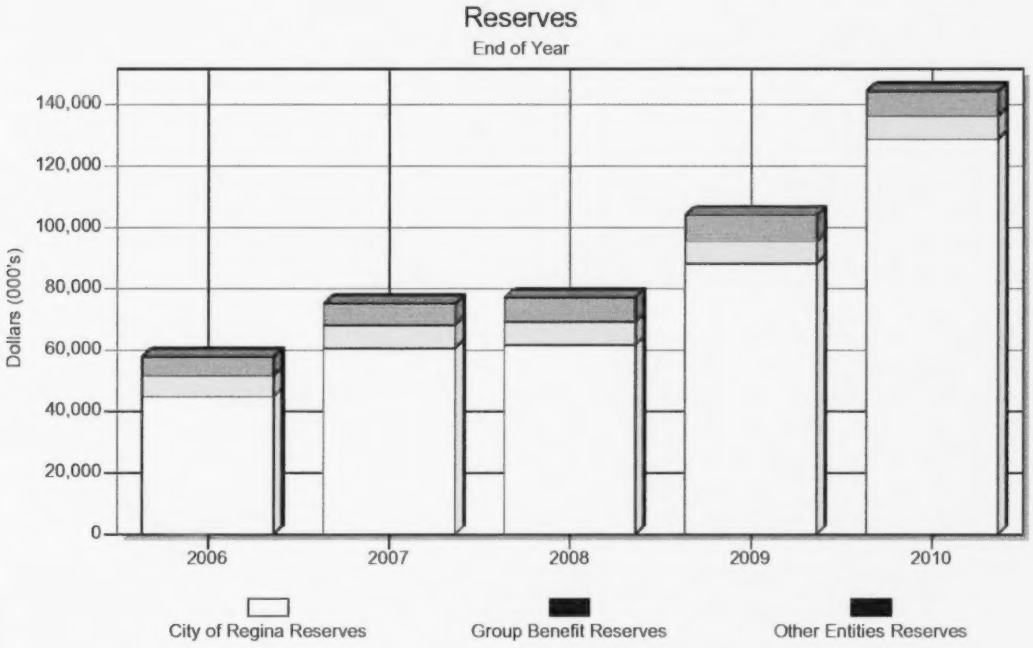
Tangible Capital Assets

The City implemented an accounting change in 2008 resulting in tangible capital assets being shown on the Statement of Financial Position. This change was required to comply with generally accepted accounting standards. Tangible capital assets are capitalized on the Statement of Financial Position at cost and amortized over their estimated useful lives on the Statement of Operations. In 2007 and prior years, tangible capital asset additions were expensed in the year of acquisition or construction. The City's tangible capital assets include land, buildings, vehicles and equipment, roads and bridges, and underground and other networks.

SIGNIFICANT TRENDS (cont'd)

Reserves and Accumulated Surplus

	2010	2009	2008	2007	2006
Reserves					
City of Regina Reserves	128,749	88,123	61,683	60,604	44,873
Group Benefits Reserves	7,559	7,342	7,553	7,450	6,830
Other Entities Reserves	8,166	8,636	7,948	7,085	6,103
	144,474	104,101	77,184	75,139	57,806



Reserve balances totaled $144 million at the end of 2010 (2009 - $104 million).

The City allocates funds to reserves to meet specific future operating and capital expense requirements. The largest reserves are the General Utility Reserve and General Fund Reserve, which are intended to provide funding in the event of an operating deficit, as well as for one-time initiatives. The General Fund Reserve balance increased by about $13 million from 2006 to 2010 primarily because of the City's General Operating Fund surplus and a significant increase in land sales. The reserves represent amounts that Council has funded though annual operating revenues for future requirements.

The General Utility Reserve increased $52 million from 2006 to 2010 primarily due to Water and Sewer Utility Fund surpluses and return of funds from projects.

SIGNIFICANT TRENDS (cont'd)

The financial statements include a number of liabilities which will be funded from future revenues. These amounts are reflected in Note 13 to the financial statements as Obligations to be Funded from Future Revenues, and include amounts related to employee benefit obligations, long-term debt and landfill closure and post-closure costs.

December 31, 2010

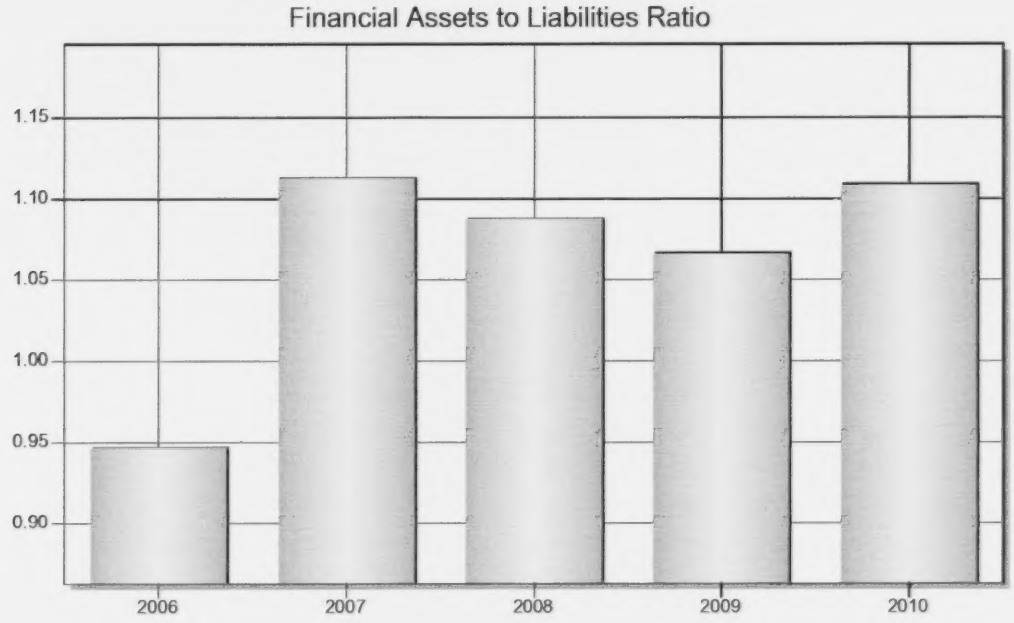
ASSESSMENT OF FINANCIAL CONDITION

Sustainability

Sustainability is the degree to which a government can maintain its existing financial obligations without increasing its debt or tax burden.

One measure of sustainability is financial assets to liabilities. This indicator reports the ratio of a government's financial assets to its liabilities. A result lower than one indicates liabilities exceed financial assets and future revenues will be required to pay for past transactions and events. A result higher than one indicates financial assets exceed liabilities and financial resources are on hand that can finance future operations. A trend showing decreases in this indicator may not be sustainable. An example of an event that could decrease this ratio is continued reliance on debt to finance operations.

The City's financial assets to liabilities ratio has increased from 0.95 to 1.11 from 2006 to 2010. The City's financial assets are slightly higher than its liabilities at December 31, 2010 and its sustainability has shown some improvement in the past five years.

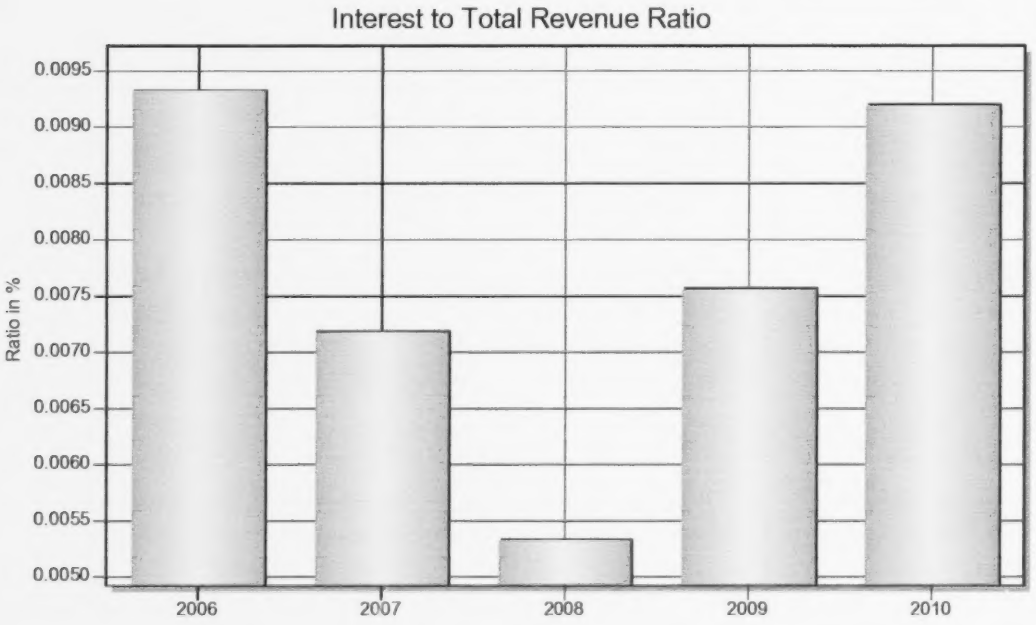


Flexibility

Flexibility is the degree to which a government can change its debt or tax burden and still meet its existing financial obligations.

One measure of flexibility is debt charges to total revenue. This ratio, often referred to as the interest bite, indicates the proportion of total revenue that is required to pay interest charges on debt and therefore, is not available to pay for program costs. It illustrates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial and service commitments in the current period. Specifically, the more government uses revenues to meet the interest costs on past borrowing, the less will be available for program spending. This indicator is important because, when this indicator increases for an extended period of time and assuming relatively stable interest rates, it means that the government has consistently chosen borrowing over increases in taxation or user fees to meet its financial and service commitments. This will eventually have an effect on its flexibility because once a government borrows, its first commitment must be to service its debt. Failing to do so would impair its future ability to borrow or to roll over its existing debt.

For the City this ratio decreased from about .9% to .5% from 2006 to 2008 but increased to 0.9% in 2010 and therefore has shown decreased flexibility since 2008.

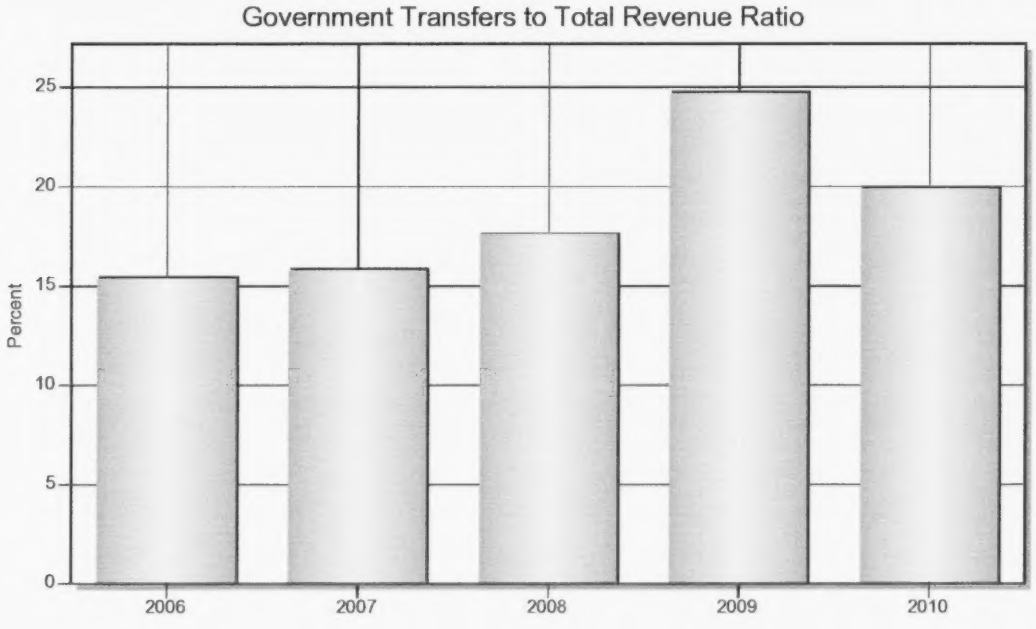


Vulnerability

Vulnerability is the degree to which a government is dependent on sources of funding outside of its control or is exposed to risks that could impair its ability to meet its existing financial obligations.

One measure of vulnerability is Federal and Provincial government transfers to total revenues. This indicator offers a perspective on the degree of vulnerability the City faces as a result of its dependence on other levels of government for revenues. An increasing dependence on other levels of government for revenues means that the City is increasingly vulnerable to the fiscal decisions of another. Reduced dependence on government transfers may reduce vulnerability but it could also impair sustainability if a government's own tax base has to replace the revenues lost from a reduction in transfer payments. A government that reduces its dependence on government transfers and correspondingly reduces its spending may avoid impairing its sustainability, but it could produce dissatisfaction among constituents.

The City has increased its reliance on government transfers from 15% of total revenues in 2006 to 20% in 2010. This indicates increasing vulnerability and that the City is less able to fund essential programs and services from own-source revenues, increasing vulnerability to changes in Provincial and Federal transfers which are beyond its control.



LOOKING FORWARD

Regina is entering an exciting phase of growth and development. Building permits continue to hit record levels and the population is growing. Regina is receiving wide recognition as an attractive, vibrant, inclusive and thriving city – a great place to work, raise a family or start a business.

The City itself faces challenges with funding the infrastructure needed to support this growth as well as the existing infrastructure gap. Revenue growth from new development is expected to be higher in the future, however the growth is not sufficient to keep pace with operating expenses or increased capital requirements.

The City's 2011 budget demonstrates a continued commitment to the health and prosperity of families with strategic investments in safety, infrastructure, and responsible growth, while maintaining a high level of service. It was built on the framework and priorities established by the City's corporate strategic plan, Accelerating Excellence, with an aim to realizing City Council's vision for Regina 2020: Canada's most vibrant, inclusive, attractive, sustainable community, where people live in harmony and thrive in opportunity.

The City of Regina's proposed budget for 2011 is focused on the long-term health of the city. Like other municipalities across the country, Regina is facing enormous infrastructure challenges. The 2011 proposed budget is a step toward addressing these challenges. To continue to deliver programs and services through this growth period, while making progress on its vision, the City approved a 4% increase in the mill rate in 2011.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and all other information contained in this report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). The preparation of the statements necessarily includes some amounts, which are based on the best estimates and judgments of management. Financial data elsewhere in this report is consistent with that of the financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded and that the financial records are reliable for the preparation of financial statements.

The Finance and Administration Committee, established by City Council, comprises five elected officials, along with the Mayor as an ex-officio member. The Committee, in addition to considering a variety of financial and administrative issues, reviews the content of the annual financial report for presentation to City Council, and reviews external audit reports.

Deloitte & Touche LLP Chartered Accountants, the City's appointed external auditors, have audited the consolidated financial statements. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.

Glen Davies
City Manager

Brent D. Sjoberg, CMA, MBA
General Manager, Corporate Services

April 26, 2011

Deloitte

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900 - 2103 11th Ave
Bank of Montreal Building
Regina SK S4P 3Z8
Canada

Tel: 306-565-5200
Fax: 306-757-4753
www.deloitte.ca

Independent Auditor's Report

To His Worship the Mayor and Members of City Council

We have audited the accompanying consolidated financial statements of the City of Regina and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Regina and its subsidiaries as at December 31, 2010, and their financial performance and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

April 26, 2011
Regina, Saskatchewan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

As at December 31, 2010

	2010	2009
FINANCIAL ASSETS		
Cash	**26,385**	15,456
Short-term investments (Note 4)	**5,604**	32,324
Accounts receivable	**52,720**	36,786
Taxes receivable	**3,284**	3,771
Long-term investments (Note 5)	**195,145**	216,755
	283,138	305,092
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	**53,571**	55,233
Taxes payable to school boards	**4,894**	5,026
Deferred revenue (Note 19)	**16,424**	44,313
Capital lease obligations (Note 6)	**1,742**	1,639
Long-term debt (Note 7)	**98,250**	106,600
Employee benefit obligations (Note 8)	**48,926**	43,683
Landfill closure and post-closure (Note 10)	**31,658**	29,732
	255,465	286,226
NET FINANCIAL ASSETS	**27,673**	18,866
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**1,044,820**	962,886
Property held for resale (Note 12)	**276**	396
Materials and supplies	**5,241**	5,018
ACCUMULATED SURPLUS (Note 13)	**1,078,010**	987,166

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands of dollars)

For the year ended December 31, 2010

	Budget (Unaudited) 2010	**Actual 2010**	Actual 2009
REVENUE			
Taxation (Note 15)	155,766	**154,746**	148,529
Fees and charges	110,212	**117,503**	118,735
Government transfers (Note 16)	55,078	**93,723**	119,601
Electrical distribution	28,262	**28,633**	27,110
Licenses, fines and levies	9,576	**10,166**	9,863
Gas distribution	8,655	**6,875**	8,532
Interest and penalties	6,372	**15,465**	8,990
Service agreement fees	23,637	**12,537**	20,187
Land sales	3,000	**3,636**	2,474
Other	1,489	**459**	693
Contribution of tangible capital assets	-	**27,386**	19,828
	402,047	**471,129**	484,542
EXPENSES			
Parks, recreation and community services	58,059	**62,339**	94,582
Police	61,324	**64,856**	61,261
Legislative and administrative services	44,468	**46,244**	50,193
Water, wastewater and drainage	62,588	**56,409**	50,510
Roads and traffic	54,093	**48,788**	43,814
Fire	32,738	**33,787**	31,736
Transit	27,676	**28,085**	26,400
Waste collection and disposal	25,674	**13,467**	12,695
Grants	6,154	**14,932**	45,168
Planning and development	16,303	**11,378**	12,039
	389,077	**380,285**	428,398
Excess of revenues over expenses	12,970	**90,844**	56,144
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**987,166**	931,022
ACCUMULATED SURPLUS, END OF YEAR		**1,078,010**	987,166

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

(in thousands of dollars)

For the year ended December 31, 2010

	Budget (Unaudited) 2010	**Actual 2010**	Actual 2009
Excess of revenues over expenses	12,970	**90,844**	56,144
Net acquisition of tangible capital assets	(99,901)	**(129,735)**	(99,599)
Amortization of tangible capital assets	47,801	**47,801**	45,199
Deficit of capital expenses over expenditures	(52,100)	**(81,934)**	(54,400)
Net change in materials and supplies	-	**(223)**	461
Disposition of RPV's material and supplies	-	**-**	72
Net change in property for held for resale	-	**120**	-
(Deficit) surplus of other non-financial expenses over expenditures	-	**(103)**	533
(Decrease) increase in net financial assets	(39,130)	**8,807**	2,277
NET FINANCIAL ASSETS, BEGINNING OF YEAR		**18,866**	16,589
NET FINANCIAL ASSETS, END OF YEAR		**27,673**	18,866

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars)

For the year ended December 31, 2010

	2010	2009
CASH PROVIDED BY OPERATING ACTIVITIES		
Excess of revenue over expenses	**90,844**	56,144
Non-cash items		
Amortization of tangible capital assets	**47,801**	45,199
Loss on disposal of tangible capital assets	**2,302**	2,398
Contribution of tangible capital assets	**(27,386)**	(19,828)
Gain on disposition of Regina Pioneer Village Ltd.	**-**	(2,326)
Net change in non-cash working capital balances		
(Increase) decrease in accounts receivable	**(15,934)**	4,047
Decrease (increase) in taxes receivable	**487**	(274)
Decrease in accounts payable and accrued liabilities	**(1,662)**	(3,027)
(Decrease) increase in taxes payable to school boards	**(132)**	59
(Decrease) increase in deferred revenue	**(27,889)**	22,845
Increase (decrease) in capital lease obligations	**103**	(347)
Increase in employee benefit obligations	**5,243**	8,368
Increase in landfill closure and post-closure liability	**1,926**	2,065
Decrease in property held for resale	**120**	-
(Increase) decrease in materials and supplies	**(223)**	461
	75,600	115,784
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	**(105,089)**	(90,497)
Proceeds on disposal of tangible capital assets	**438**	667
	(104,651)	(89,830)
INVESTING ACTIVITIES		
Net sale of short-term investments	**26,720**	39,090
Net sale (purchase) of long-term investments	**21,610**	(137,710)
Cash held by Regina Pioneer Village Ltd. on disposition	**-**	(3,716)
	48,330	(102,336)
FINANCING ACTIVITIES		
Long-term debt issued	**-**	84,600
Long-term debt retired	**(8,350)**	(4,286)
	(8,350)	80,314
INCREASE IN CASH POSITION	**10,929**	3,932
CASH POSITION, BEGINNING OF YEAR	**15,456**	11,524
CASH POSITION, END OF YEAR	**26,385**	15,456

See accompanying notes to consolidated financial statements.

For the year ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Regina (the City) are prepared by management in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Significant aspects of the accounting policies adopted by the City are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in accumulated surplus, changes in net financial assets and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable to the City for the administration of their financial affairs and resources and which are owned or controlled by the City, namely:

- General operating and capital funds
- Water and sewer utility operating and capital funds
- Regina Public Library (RPL)
- Regina Regional Opportunities Commission (RROC)
- Regina Downtown Business Improvement District (RDBID)
- Regina's Warehouse Business Improvement District (RWBID)

Inter-departmental and inter-organizational transactions and balances have been eliminated.

The City has a 73.68% (2009 - 73.59%) interest in the Buffalo Pound Water Administration Board (BPWAB), a government partnership, that is proportionately consolidated.

The Regina Public Library has a 22.51% (2009 - 22.80%) interest in the Saskatchewan Information and Library Services Consortium Inc. (SILS), which has been proportionately consolidated.

Revenue recognition

Revenues are recorded using the accrual basis of accounting whereby revenues are recognized as they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenses are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

Property tax revenue is based on assessments determined in accordance with provincial legislation and the formulas, principles and rules in the Saskatchewan Assessment Manual. Tax mill rates are established annually. Taxation revenues are recorded net of a provision for potential losses on outstanding assessment appeals and uncollected taxes. By their nature, these provisions are subject to measurement uncertainty and the impact on the financial statements of future periods could be material (Note 15). Penalties on overdue taxes are recorded in the period levied.

Electrical distribution revenues consist of the municipal surcharge and payments in lieu of taxes received from SaskPower. The municipal surcharge revenue and payments in lieu of taxes are equal to 10% and 5% respectively of the value of the supply of electrical energy provided by SaskPower to customers within the City of Regina limits.

Gas distribution revenues mainly consist of the payments in lieu of taxes received from SaskEnergy and TransGas. The payment in lieu of taxes received from SaskEnergy is equal to 5% of the fees levied by SaskEnergy to customers within the City of Regina limits. The payment in lieu of taxes received from TransGas is equal to 5% of the transportation fees and the deemed value of the gas transmitted by TransGas to consumers within the City of Regina limits. Pursuant to an agreement with the City for two major consumers who are served by TransGas, the 5% payments to the City in lieu of taxes are based on the transportation costs and the deemed value of the fuel stock consumed.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met, and reasonable estimates can be made.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles as recommended by PSAB requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Investments

All investments are recorded at cost less write downs to reflect other than temporary declines in value. Investment transactions are accounted for at the trade date. Interest income is recorded on the accrual basis.

Materials and supplies

Inventories of materials and supplies are valued at the lower of net realizable value and average cost.

Taxes collected for others

The City collects taxes for the Regina Separate School Board and the Regina Public School Board. These taxes, which are not included in the City's financial results, are remitted to the respective Boards less an amount to offset cancellations relating to school taxes and the City's cost in carrying the receivables.

Deferred revenue

The City receives service agreement fees, payments in lieu of parking and payments in lieu of dedication of land for public reserve under the authority of provincial legislation and City bylaws. The City also receives special taxes levied pursuant to Section 275 of *The Cities Act* which are to be expended on alley maintenance, and rent revenue received from the Saskatchewan Roughriders football club which is to be spent on upgrading Taylor Field. As well, the City receives various government grants for special programs offered by either the Provincial or Federal governments. These funds are restricted as to their use and are not recognized as revenue until the fiscal period in which they are used to make qualifying expenses.

Deferred revenue also includes monies received in advance for taxes, transit passes, servicing and sub-division revenue, prepaid cemetery revenue and pre-season sales from the various recreational facilities.

Employee benefit plans

The City participates in contributory defined benefit or defined contribution pension plans for virtually all of its employees. Under the defined contribution plan, the City's obligations are limited to its contributions. These contributions are expensed in the period in which they are due and payable.

For defined benefit pension plans considered to be single-employer plans, the cost of pension benefits is actuarially determined using the projected benefit method prorated on service and the pension plan administrator's best estimate of expected salary and benefit escalation and retirement ages of employees. Market rates are used to measure the accrued benefit obligation as well as the assets of the pension plans. Actuarial gains and losses on pension obligations and/or pension fund assets are amortized over the average remaining service life of the related employee groups.

For defined benefit plans considered to be multi-employer plans, the contributions are expensed when they are due and payable.

The City has various post-employment benefits and termination benefit obligations earned by employees and expected to be provided to them when they are no longer providing active service.

The obligations for vested sick leave, service or retirement allowances and other post-employment benefits have been determined on an actuarial basis. The obligations for vacation pay and banked time in lieu of overtime have been accounted for at an undiscounted value at the current rate of pay.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

General	
Land improvements	10 to 100 years
Buildings	15 to 75 years
Vehicles and Equipment	
Fire trucks and buses	15 years
Police vehicles	4 to 10 years
Other vehicles	6 to 25 years
Equipment	4 to 50 years
Office and Information Technology	
Hardware	2 to 13 years
Software	2 to 10 years
Other	10 years
Infrastructure	
Plants and facilities	5 to 75 years
Roads	20 to 40 years

Underground networks	50 to 75 years
Bridges	40 to 70 years

Assets under construction are not amortized until the asset is available for productive use.

Interest on debt used to purchase tangible capital assets is not capitalized.

Tangible capital assets received as contributions, which are primarily roads and underground networks, are recorded at their fair value at the date of receipt and also are recorded as revenue. Fair value is determined based on an estimate of the cost to construct the contributed asset.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and recorded as tangible capital assets. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Works of art and historical treasures are not recognized in these financial statements.

Budget information

Unaudited budget information is presented on a basis consistent with that used for actual results.

2. FUTURE ACCOUNTING POLICIES

Taxation Revenue

In 2010 PSAB issued section PS 3510, *Tax Revenue*. This section establishes standards related to the recognition criteria and reporting requirements of taxation revenue. The City will be required to adopt this standard for the year ended December 31, 2013. The impact on the City's financial statements at the time of implementation is not expected to be significant.

Government Transfers

In 2011 PSAB issued PS 3410, *Government Transfers*. The new standard provides guidance for accounting and reporting government transfers from both a transferring and a recipient government perspective. It clarifies the difference between eligibility criteria and stipulations and their roles in the recognition of government transfers by the transferring and recipient government. It explains how the definition of liabilities in Section PS 3200, Liabilities, should apply to the recognition of government transfers by a recipient government. It addresses what evidence would be required to support the authorization of a government transfer from the perspective of the transferring government. The City will be required to adopt this new standard for the year ended December 31, 2013. The impact on the City's financial statements at the time of implementation is not expected to be significant.

Liability for Contaminated Sites

In 2010 PSAB issued section PS 3260, *Liability for Contaminated Sites*. This section addresses the recognition criteria, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites that either are not in use or resulted from unexpected environmental events (such as a toxic spill or natural disaster). The City will be required to adopt this standard for the year ended December 31, 2015. The impact on the City's financial statements at the time of implementation is not expected to be significant.

Financial Reporting by Government Not-for-Profit Organizations

PSAB approved an amendment to the Introduction to Public Sector Accounting Standards and eight new Handbook Sections PS 4200 to PS 4270. The amendment to the introduction directs all government not-for-profit organizations to follow the CICA Public Sector Accounting Handbook for fiscal years beginning on or after January 1, 2012. These standards would only apply to RROC and thus the impact on the City's financial statements at the time of implementation is not expected to be significant.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is $10,931 (2009 - $13,530) related to amounts owed to developers for infrastructure expenditures made on behalf of the City in 2010. The City issued service agreement fee (SAF) credits to the developers in 2010 for these expenditures. The developers can redeem the SAF credits to offset payment for future service agreement fees. If there are SAF credits owing to developers after 10 years the City will repay the value of the remaining SAF credits to the developers. The City can also choose to repay prior to 10 years. Under the SAF credit agreements the total amount of credits that can be issued to developers is $39,900.

Total SAF credits issued and not redeemed, plus credits to be issued, count against the debt limit of $200,000. This amount is $11,625 (2009 - $18,500) and when added to the long-term debt of $98,250 (2009 - $106,600) the amount of $109,875 (2009 - $125,100) is below the debt limit.

4. SHORT-TERM INVESTMENTS

Short-term investments are recorded at cost and have a fair value approximating cost. The investment is in a money market fund, holdings of which may include a combination of treasury bills, commercial paper, bankers' acceptances or promissory notes. The average yield earned from investments was 1.33% (2009 - 0.82%).

For the year ended December 31, 2010

5. LONG-TERM INVESTMENTS

Long-term investments include investments in a pooled bond fund.

	Carrying Value		Fair Value	
	2010	2009	**2010**	2009
Pooled bond fund	**195,145**	216,755	**197,630**	217,414

A pooled bond fund is a group of individual bonds managed by an investment manager. The fair value of the pooled bond fund units is based on the market price per unit which is determined by the overall market values of each of the bonds in the fund.

6. CAPITAL LEASE OBLIGATIONS

The following is a schedule of future minimum lease payments under capital leases for computer equipment, software and building contracts along with the balance of the capital lease obligation:

2011	**634**
2012	**563**
2013	**452**
2014	**276**
Total minimum lease payments	**1,925**
Less amount representing interest (2.0%-9.25%)	**(183)**
Capital lease obligations	**1,742**

For the year ended December 31, 2010

7. LONG-TERM DEBT

Debenture debt
The City's long term debt consists of $55,150 (2009 - $63,500) of unsecured debentures issued in the form of fully registered certificates held by The Canadian Depository for Securities Ltd. (CDS), on behalf of beneficial owners as direct and indirect participants of CDS. The debentures were issued for 10 year terms with principal payable either annually or semi-annually and interest payable semi-annually.

The City also holds $43,100 (2009 - $43,100) of long term debt in the form of an unsecured debenture issued in the form of a fully registered certificate held by The Municipal Financing Corporation of Saskatchewan. Interest is payable semi-annually and the entire principal is due in 2014.

Bank indebtedness
Pursuant to *The Regina Administration Bylaw 2003-69*, the City can incur bank indebtedness. Interest on this indebtedness is calculated at the prime rate of interest less 0.5%, payable monthly and the City has pledged certain revenues as security for the debt obligation. At December 31, 2010, the City had no bank indebtedness.

	2010	2009
City of Regina unsecured debentures		
Operating fund	**29,656**	32,500
Utility fund	**68,594**	74,100
Total debt	**98,250**	106,600
Authorized debt limit	**200,000**	200,000
Interest rates	**1.75 - 5.55%**	0.95 - 5.55%
Interest costs for year	**4,202**	3,283

The debenture debt is repayable as follows:

2011	**8,350**
2012	**8,350**
2013	**4,350**
2014	**47,450**
2015	**2,350**
Thereafter to 2022	**27,400**
	98,250

For the year ended December 31, 2010

8. EMPLOYEE BENEFIT OBLIGATIONS

The City's employee benefit obligations are as follows. The concept of funding refers to amounts included or to be included in the City's annual budget (Note 13) and not to the funded status of the defined benefit pension plans described below:

	Funded	To be funded in future	Total 2010	Total 2009
a) Defined benefit pension plans				
Regina Police Superannuation and Benefits Plan	-	4,898	4,898	2,169
Regina Police Civilian Employees' Early Retirement	-	452	452	381
	-	5,350	5,350	2,550
b) Other benefit plans				
Termination payments	220	16,501	16,721	15,190
Continuation of group life, medical and dental benefits	452	9,991	10,443	10,287
	672	26,492	27,164	25,477
c) Other plans and arrangements				
Vacation	126	13,030	13,156	12,623
Overtime	161	2,595	2,756	2,665
Other termination payments and pensions	64	188	252	202
Group life, medical and dental plans	248	-	248	166
	599	15,813	16,412	15,656
Total	1,271	47,655	48,926	43,683

a) Defined benefit pension plans

The Regina Police Superannuation and Benefits Plan is a defined benefit pension plan. As required by provincial legislation, an actuarial funding valuation is completed at least triennially.

The Regina Police Civilian Employees' Early Retirement Benefits Arrangement is a defined benefit arrangement augmenting the Regina Police Pension Plan. If a member of the Regina Police Pension Plan retires prior to eligibility for Canada Pension Plan (CPP) benefits, the City pays benefits equivalent to the CPP benefits the member would receive at the CPP retirement age until the member starts to receive actual CPP benefits. Contributions are not required from members.

An actuarial valuation of the defined benefit pension plans is performed using the projected benefit method prorated on service to determine the accrued benefit obligation and the expense to be recognized in the financial statements.

For the year ended December 31, 2010

The results of the most recent actuarial valuations and significant assumptions utilized in these valuations are as follows:

	Police	Police Civilian Employees' Early Retirement	Total 2010	Total 2009
Fair value of plan assets, beginning of year	**108,009**	**-**	**108,009**	94,941
Employer contributions	**5,312**	**-**	**5,312**	5,022
Actual return on plan assets	**11,185**	**-**	**11,185**	15,376
Less benefits paid	**(7,796)**	**-**	**(7,796)**	(7,330)
Fair value of plan assets, end of year	**116,710**	**-**	**116,710**	108,009
Accrued benefit obligation, beginning of year	**137,010**	**745**	**137,755**	132,641
Current period benefit cost	**4,171**	**37**	**4,208**	3,972
Interest on accrued benefit obligation	**8,788**	**48**	**8,836**	8,512
Actuarial (gain) loss	**(7,056)**	**101**	**(6,955)**	-
Less benefits paid	**(7,796)**	**(47)**	**(7,843)**	(7,370)
Changes in assumptions	**-**	**(40)**	**(40)**	-
Accrued benefit obligation, end of year	**135,117**	**844**	**135,961**	137,755
Funded status - plan deficit	**(18,407)**	**(844)**	**(19,251)**	(29,746)
Unamortized net actuarial loss	**13,509**	**392**	**13,901**	27,196
Accrued benefit liability	**4,898**	**452**	**5,350**	2,550
Current period benefit cost	**4,171**	**37**	**4,208**	3,972
Amortization of actuarial losses	**2,289**	**33**	**2,322**	3,018
Interest expense	**1,581**	**48**	**1,629**	2,181
Benefit expense	**8,041**	**118**	**8,159**	9,171

Actuary	Aon Consulting Inc.	
Date of most recent valuation	**Dec 31, 2009**	**Dec 31, 2009**
Discount rate (%)	**6.85**	**6.85**
Inflation rate (%)	**2.5**	**2.5**
Long term return rate on plan assets (%)	**7.25**	**n/a**
Rate of compensation increase (%)	**3.5**	**4.5**
Expected average remaining service years	**14.0**	**13.0**
Contribution rate as a percentage of salary:		
Members	**11.33-12.83%**	**-**
City	**11.83-13.33%**	**variable**

b) Other benefit plans

Pursuant to union agreements eligible employees are entitled to termination payments based upon their unused sick leave or years of service.

Group life, medical and dental benefits represents the obligation for the continuation of group life insurance, dental and medical benefits for employees on long-term disability and the City's share of group life insurance for early retirees.

Retirees may continue group life insurance coverage to age 65 on a 50% cost shared basis with the City. Employee and employer premiums for continuation of group life insurance for employees on long term disability are fully funded through contributions maintained in a reserve. Medical and dental coverage for employees on long term disability is provided on a 50% cost shared basis between the employee and employer.

A group life insurance plan is administered by Saskatchewan Blue Cross on a self-insured basis, with a stop-loss provision limiting losses to claims in excess of 150% of premiums for any calendar year. The primary components of the plan are funded equally by employer and employees. Dental and medical plans are also provided for most employees on a cost-shared or employer-funded basis.

For group life insurance, the balance of the employer and employee premiums collected in excess of claims are held in group insurance reserves, which are intended for future benefits and stabilization of premiums. The employer's portion of the obligations under the group insurance plan that will be funded from the reserves is reflected in Other Benefit Plans. Amounts held in the reserves that reflect obligations to be funded from employee contributions have been included in Accounts Payable and Accrued Liabilities. The balance of the group life insurance reserves, after reflecting the liabilities for the employee and employer share of future obligations, is $5,222 (2009-$5,318). This amount has been included in Group Benefits Reserves (Note 14). A similar amount is also recorded for the group dental plan.

For the year ended December 31, 2010

Actuarial valuations are performed to determine the accrued benefit obligation and the expense to be recognized in the financial statements. The results of and significant assumptions utilized in these valuations are as follows:

	Termination payments		Group life, medical and dental plans	Total 2010	Total 2009
	City employees	Library employees			
Accrued benefit obligation, beginning of year	14,121	1,069	10,287	25,477	22,199
Current period benefit cost	902	72	882	1,856	1,470
Interest on accrued benefit obligation	724	51	425	1,200	1,112
Actuarial losses (gains)	1,000	(46)	(281)	673	2,760
Less benefits paid	(1,057)	(158)	(870)	(2,085)	(2,064)
Unamortized net actuarial gain	-	43	-	43	-
Accrued benefit liability	15,690	1,031	10,443	27,164	25,477
Current period benefit cost	902	72	882	1,856	1,470
Amortization of actuarial (gains) losses	(87)	(3)	(281)	(371)	2,674
Interest expense	724	51	425	1,200	1,112
Benefit expense	1,539	120	1,026	2,685	5,256

			Mercer Human Resources
Actuary	Aon Consulting Inc.		Consulting Limited
Date of most recent valuation	Dec 31, 2008	Dec 31, 2010	Nov 30, 2008
Discount rate (%)	4.00	4.00	3.5-4.6
Rate of compensation increase (%)	4.5-4.6	3.6-4.6	3.6-3.7
Expected average remaining service years	9-14	-	n/a

c) Other plans and arrangements

Employees are entitled to vacation pay and overtime as outlined in administrative policies and/or contractual agreements. The liability for these benefits is determined using current rates of pay and is not discounted.

Out of scope employees are contractually entitled to certain pensions and termination payments. BPWAB employees are entitled to termination payments based upon years of service or unused sick leave. Benefits start to vest after 10 or 15 years of service and are recognized as expenses when they are vested.

Group Life and dental Plans represents the liability for claims in progress and claim fluctuations under those plans at the end of the year.

d) Multi-employer defined benefit plans

The following two multi-employer defined benefit plans provide benefits to employees of the City of Regina, the Qu'Appelle Health Region (the Regina General Hospital Division and Community Health Division), Buffalo Pound Water Administration Board, Regina Public Library, and the non-teaching staff of the Board of Education of the Regina School Division No. 4 of Saskatchewan:

	Superannuation & Benefit Plan	Long-Term Disability Plan	Total 2010	Total 2009
Benefit expense	**12,245**	**1,053**	**13,298**	13,047
(Deficit) surplus of plan assets over benefit obligation per plan financial statements	**(209,006)**	**13,760**	**(195,246)**	(195,516)
Contribution rate as a percentage of salary				
Members	**8.42 - 13.96%**	**0.92%**		
Employers	**8.42 - 13.96%**	**0.92%**		
City employee contributions	**12,422**	**1,053**	**13,475**	13,117
Date of most recent actuarial valuation	**Dec 31, 2009**	**Dec 31, 2010**		
Actuary	**Mercer Human Resource Consulting Limited**			

The contributions by the participating employers are not segregated in separate accounts or restricted to provide benefits to the employees of a particular employer. The portion of the annual benefit costs and of the asset surpluses (deficits) that are attributable to the City cannot be easily determined.

Accordingly, the multi-employer plans are accounted for on the defined contribution basis. No portion of the asset (deficit) surplus of the plans are recognized in these financial statements. The benefit expense reflected in the financial statements is equal to the City's contributions for the year.

e) Defined contribution pension plan

The Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan is a defined contribution plan. Pension fund assets are invested in marketable investments of organizations external to the City. Benefit expense is limited to the City's contributions to the plan.

	2010	2009
Casual employee members' contribution rate	**3.00%**	3.00%
Elected official members' contribution rate	**6.95%**	6.95%
Members' contributions	**235**	264
Benefit expense	**235**	264

For the year ended December 31, 2010

9. TANGIBLE CAPITAL ASSETS

	NET BOOK VALUE	
	2010	2009
General		
Land	**59,386**	52,053
Land improvements	**23,12[illegible]**	22,476
Buildings and building improvements	**59,389**	55,406
Vehicles and equipment	**104,391**	95,998
Office and information technology	**7,811**	7,196
Infrastructure		
Plants and facilities	**136,130**	139,377
Roads	**236,653**	225,507
Underground and other networks	**346,481**	329,385
Bridges and other structures	**13,412**	13,745
	986,773	941,143
Assets under construction	**58,047**	21,743
	1,044,820	962,886

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 3).

During the year there were no write-downs of assets (2009 - $nil). In addition, tangible capital assets contributed to the City totalled $27,386 (2009 - $19,828), which were capitalized and recorded as revenue at their fair value at the time of receipt.

For the year ended December 31, 2010

10. LANDFILL CLOSURE AND POST-CLOSURE

Legislation requires closure and post-closure care of solid waste landfill sites. Closure care includes final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post-closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

	2010	2009
Estimated closure and post-closure costs over next 40 years	**51,994**	47,490
Discount rate	**5.00%**	5.00%
Discounted cost	**34,451**	33,539
Expected year capacity will be reached	**2012**	2012
Capacity (m3):		
Used to date	**8,500,000**	8,200,000
Remaining	**750,000**	1,050,000
Total	**9,250,000**	9,250,000
Percent utilized	**91.89%**	88.65%
Liability based on the percentage utilized	**31,658**	29,732

The liability recognized in the financial statements is subject to measurement uncertainty. The recognized amounts are based on the City's best information and judgment. Amounts could change by more than a material amount in the long-term.

11. COMMITMENTS AND CONTINGENCIES

The City has various legal matters pending, which in the opinion of management, will not have a material effect on the City's consolidated financial position or results of operations.

The City is committed to the following payments over the next five years under operating leases and service agreements:

2011	**1,945**
2012	**130**
2013	**32**
2014	**26**
2015	**26**
	2,159

The City is budgeting to spend $151,524 in capital expenditures in 2011. The major projects included in this amount along with the amount budgeted in 2011 are as follows:

1) Roadway network improvements - $21,950 - consists of new road construction for locations approved as part of the Regina Road Network Plan.

2) Street infrastructure renewal - $16,802 - this program is to provide preservation to the existing street infrastructure and to provide funds for implementation of engineering studies, designs, construction, construction management and administration to support the City's street infrastructure renewal.

3) McCarthy pump station - $14,000 - pump station requires upgrades involving building repairs, pumping, etc. for wastewater treatment.

4) Water pumping upgrades (second pressure zone system upgrades) - $13,040 - an engineering analysis indicated upgrades to the water system would be necessary to improve pressure and fire flows to the north portion of the City.

5) Fleet replacement - $12,987 - to replace the City's fleet of fire, transit and other civic fleet.

6) Landfill - $7,500 - equipment and development of new landfill.

7) Wastewater treatment plant expansion and improvements - $7,650 - in order to meet new regulatory requirements of both the Provincial and Federal governments, a major upgrade is required to treat the City's wastewater to higher standards.

8) Wastewater infrastructure renewal - $6,805 - the wastewater collection system requires ongoing rehabilitation and upgrading to maintain and improve the level of service and to ensure the system's reliability.

9) Bridge infrastructure renewal - $6,000 - the City's transportation network includes 43 bridges, including eight rail overpasses, three timber bridges and 32 concrete bridges. The 2011 budget allows for two major repairs/rehabilitations, preventative repairs on various locations and structural condition assessment of 32 pedestrian bridges.

For the year ended December 31, 2010

12. PROPERTY HELD FOR RESALE

Property acquired through the tax enforcement process and held for sale is recorded at the lesser of cost and net realizable value. Cost is equal to the outstanding taxes including any applicable penalties, as well as the costs incurred in acquiring the land. The valuation allowance reflects a potential reduction in the carrying value that may be realized upon sale.

	2010	2009
Property held for resale	**999**	1,029
Valuation allowance	**(835)**	(770)
Property held for resale, net of allowance	**164**	259

Land acquired other than through the tax enforcement process and held for sale is recorded at lower of cost or net realizable value

Acquired property held for resale, net realizable value	**112**	137
	276	396
Property held for resale, estimated fair value - unaudited	**16,358**	18,600

For the year ended December 31, 2010

13. ACCUMULATED SURPLUS

Accumulated surplus represents the equity (accumulated deficit) of an organization. In determining accumulated surplus, revenues and expenses are recognized as they are earned and incurred, according to generally accepted accounting principles established by PSAB.

Council through its annual budget process and other policies and bylaws may fund certain amounts on a basis that differs from the expense recognition basis prescribed by PSAB.

Unappropriated surpluses represent equity relating to certain entities consolidated within the City's financial statements that have not been designated for a specific use by that entity.

Appropriations for capital projects and reserves represent amounts that have been internally restricted for specific purposes.

Obligations to be funded from future revenues represent amounts recognized as expenses according to generally accepted accounting principles, that will be funded from future revenues.

Infrastructure to be funded from future service agreement fees represent infrastructure that has been constructed by the City, the costs of which are expected to be funded from future service agreement fees.

	2010	2009
Unappropriated surpluses:		
Regina Downtown Business Improvement District	**74**	106
Regina Regional Opportunities Commission	**658**	583
Regina Public Library	**1,222**	877
Regina's Warehouse Business Improvement District	**38**	27
Investment in tangible capital assets	**1,044,820**	962,886
Appropriated surpluses:		
General capital projects	**47,415**	48,575
Utility capital projects	**51,576**	81,198
Reserves (Note 14)	**144,474**	104,101
Infrastructure to be funded from future service agreement fees:		
Roadways	**3,123**	1,503
Water, wastewater and drainage	**(36,085)**	(32,088)
Obligations to be funded from future revenues:		
Long-term debt (Note 7)	**(98,250)**	(106,600)
Employee benefit obligations (Note 8)	**(47,655)**	(42,631)
Landfill closure and post-closure liability (Note 10)	**(31,658)**	(29,732)
Capital lease obligations (Note 6)	**(1,742)**	(1,639)
Accumulated surplus	**1,078,010**	987,166

For the year ended December 31, 2010

14. RESERVES

	2010	2009
City of Regina reserves:		
General utility reserve	**61,907**	22,439
General fund reserve	**31,753**	32,609
Landfill reserve	**17,102**	18,198
Regina Police Service general reserve	**3,566**	3,415
Winter road maintenance reserve	**3,426**	3,426
Asset Revitalization Reserve	**2,404**	2,239
Equipment replacement reserve	**2,335**	138
Social development reserve	**1,414**	1,679
Technology Reserve	**1,006**	701
Golf course reserve	**986**	665
Grants reserve	**836**	514
Asphalt reserve	**785**	1,019
Cemetery reserve	**536**	417
Employer provided parking reserve	**405**	282
Regina Police Service radio equipment reserve	**238**	200
Transit health care spending account reserve	**50**	-
Transit equipment replacement reserve	**-**	182
	128,749	88,123
Group Benefits reserves:		
Group life insurance reserve	**5,222**	5,318
Dental benefits reserve	**1,461**	1,298
Medical - City of Regina reserve	**438**	330
Police services premium reduction reserve	**332**	337
Police long-term disability reserve	**106**	59
	7,559	7,342
Other Entities' reserves:		
Regina Public Library reserves	**6,897**	7,672
Buffalo Pound Water Administration Board capital replacement reserve	**671**	360
Regina Downtown Business Improvement District reserve	**496**	517
Regina's Warehouse Business Improvement District infrastructure reserve	**102**	87
	8,166	8,636
	144,474	104,101

In January 2011 the Land Development Reserve was created. $2,500 was transferred into this reserve from the General Fund Reserve.

For the year ended December 31, 2010

15. TAXATION REVENUE

	Budget (Unaudited) 2010	**Actual 2010**	Actual 2009
Total taxation revenue levied	-	**269,436**	262,077
Taxes levied on behalf of others:			
Regina School Division No. 4	-	**(78,678)**	(78,205)
Regina Roman Catholic Separate School Division No. 81	-	**(36,012)**	(35,343)
Taxation revenue	155,766	**154,746**	148,529
City of Regina			
Municipal levies	127,919	**127,499**	121,948
Grants in lieu	9,196	**8,604**	8,404
Supplementary taxes	900	**978**	927
Other	1,935	**1,784**	1,897
	139,950	**138,865**	133,176
Regina Public Library			
Taxation levies	14,105	**14,161**	13,694
Grants in lieu	982	**971**	916
	15,087	**15,132**	14,610
Regina Downtown Business Improvement District levies	573	**592**	600
Regina's Warehouse Business Improvement District levies	156	**157**	143
	155,766	**154,746**	148,529

Taxation revenues are recorded net of an allowance for uncollectible outstanding taxes and a provision for potential losses on assessment appeals outstanding. As at December 31, the following amounts are reflected in the Statement of Financial Position for these provisions:

Allowance for doubtful outstanding taxes netted against taxes receivable	-	**1,989**	1,708
Provision for assessment appeals included in accounts payable	-	**1,286**	534

For the year ended December 31, 2010

16. GOVERNMENT TRANSFERS

	Budget (Unaudited) 2010	**2010**	2009
Operating transfers			
Federal	674	**1,251**	703
Provincial	34,380	**34,140**	61,706
	35,054	**35,391**	62,409
Capital transfers			
Federal	19,274	**47,129**	40,390
Provincial	750	**11,203**	16,802
	20,024	**58,332**	57,192
	55,078	**93,723**	119,601

Government transfers do not include grants in lieu of taxes received from the Federal and Provincial governments. These amounts are included with taxation revenue (Note 15).

17. RELATED PARTY TRANSACTIONS

	2010	2009
Accounts receivable include the following amounts due from:		
The Regina Civic Employees' Superannuation and Benefit Plan	**1,628**	631
The Regina Civic Employees' Long-Term Disability Plan	**435**	331
Perpetual Care Trust and Williamson Driver Award	**131**	134
The Regina Police Pension Plan	**825**	337
	3,019	1,433
Revenues include the following amounts charged to:		
The Regina Civic Employees' Superannuation and Benefit Plan	**21**	100
The Regina Police Pension Plan	**21**	34
Perpetual Care Trust and Williamson Driver Award	**131**	134
The Regina Civic Employees' Long Term Disability Plan	**7**	14
	180	282

18. GOVERNMENT PARTNERSHIP

BPWAB operates under an agreement between the Cities of Moose Jaw and Regina. Its purpose is to operate the water treatment plant at Buffalo Pound Lake and to supply water to the two cities at cost. Any (recovery) distribution of annual operating (deficit) surplus is shared between the cities according to their respective usage.

The following is a schedule of relevant financial information as stated within the financial statements of BPWAB for the year ended December 31, 2010 in thousands of dollars. These amounts represent 100% of the Board's financial position and activities:

	2010	2009
Financial assets	**2,786**	3,858
Tangible capital assets	**26,887**	28,279
Other non-financial assets	**169**	182
Total assets	**29,842**	32,319
Financial liabilities	**2,449**	3,941
Capital replacement reserve	**910**	489
Obligations to be funded from future revenues	**(404)**	(390)
Investment in tangible capital assets	**26,887**	28,279
Total liabilities and equity	**29,842**	32,319
Revenue	**8,620**	8,798
Expenses	**9,605**	9,700
Net loss	**(985)**	(902)

The above amounts are proportionately consolidated within the consolidated financial statements at 73.68% (2009 – 73.59%), the City's interest in the government business partnership. After eliminating transactions between the City and the partnership, the following amounts have been included in the consolidated statements:

	2010	2009
Financial assets	**1,623**	2,419
Financial liabilities	**(728)**	(780)
Non-financial assets	**19,934**	20,945
Net assets	**20,829**	22,584
Revenue	**1,003**	1,057
Expenses	**5,803**	5,755

19. DEFERRED REVENUE

	December 31, 2009	Externally restricted inflows	Revenue earned	December 31, 2010
Building Communities Program	3,857	25	(3,725)	157
Municipal Economic Enhancement Program	8,412	-	(7,430)	982
Ministry of Highways and Infrastructure	7,955	235	(6,104)	2,086
Provincial/Terrritorial Base Fund	4,519	1,375	(3,353)	2,541
Public transit funding	7,053	123	(7,176)	-
Service agreement fees	6,096	13,135	(12,536)	6,695
Other	6,421	-	(2,458)	3,963
	44,313	14,893	(42,782)	16,424

20. FUNDS HELD IN TRUST

The City of Regina administers the following trusts. As related assets are not owned by the City, the trusts have been excluded from the consolidated financial statements. Following is a summary of the net assets of the trusts:

	2010	2009
Perpetual Care Trust	**2,589**	2,579
Williamson Driver Award	**5**	5

For the year ended December 31, 2010

21. SEGMENTED INFORMATION

The City is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, public transit, and water. For management reporting purposes the City's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. The financial activities of the City reported by Fund are included in Schedule 1. City services are provided by divisions and their activities are reported in these funds. Certain divisions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Community and Protective Services
Community and Protective Services provides fire services, parks and open space services, community, recreation, and cultural programs and services and, public transportation services. It is dedicated to engaging and supporting the citizens of Regina.

Public Works
Public Works is responsible for ensuring the City's infrastructure systems are effectively preserved, funded, and operated. This division preserves and operates municipal infrastructure involving roadways, traffic, water, drainage, waste water and solid waste to meet regulatory requirements and community needs.

Planning and Development
Planning and Development provides a long-term comprehensive approach to planning, engineering and development processes to ensure the efficient use of land and community infrastructure. The division encompasses land use, neighbourhood, transportation and infrastructure planning, long-range capital planning, development review, building permits and inspection and real estate services.

Corporate Services
Corporate Services provides services and support to both internal and external customers, enabling City operations to maximize effectiveness and potential. Corporate Services includes Financial Services, Information Technology Services, Human Resources, Fleet Services, and Facilities Management Services.

Regina Police Services
Regina Police Services is responsible for the delivery of policing services within the municipality and is dedicated to a safe and caring community.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 2).

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

CONSOLIDATED STATEMENT OF OPERATIONS BY FUND AND ORGANIZATION Schedule 1

(in thousands of dollars)

For the year ended December 31, 2010

	General operating	Utility operating	General capital	Utility capital	**Total City of Regina**
REVENUE					
Taxation	139,264	-	-	-	**139,264**
Fees and charges	39,162	75,224	-	-	**114,386**
Government transfers	33,680	1,107	40,108	17,109	**92,004**
Electrical distribution	28,633	-	-	-	**28,633**
Licenses, fines and levies	10,088	-	78	-	**10,166**
Gas distribution	6,875	-	-	-	**6,875**
Interest and penalties	12,040	1,835	1,032	546	**15,453**
Service agreement fees	-	-	6,790	5,747	**12,537**
Land sales	3,951	-	(315)	-	**3,636**
Other	9,496	-	249	129	**9,874**
Contribution of tangible capital assets	-	-	16,562	10,824	**27,386**
	283,189	78,166	64,504	34,355	**460,214**
EXPENSES					
Parks, recreation and community services	38,375	-	4,580	-	**42,955**
Police	62,769	-	2,087	-	**64,856**
Legislative and administrative services	36,100	-	10,167	-	**46,267**
Water, wastewater and drainage	-	47,555	-	16,540	**64,095**
Roads and traffic	24,394	-	24,394	-	**48,788**
Fire	33,097	-	690	-	**33,787**
Transit	25,072	-	3,013	-	**28,085**
Waste collection and disposal	15,375	-	(1,908)	-	**13,467**
Grants	4,937	-	10,818	-	**15,755**
Planning and development	11,378	-	-	-	**11,378**
	251,497	47,555	53,841	16,540	**369,433**
Excess of revenues over expenses (expenses over revenues)	31,692	30,611	10,663	17,815	**90,781**

See accompanying notes to consolidated financial statements.

Regina Downtown	RROC	Buffalo Pound	Regina Public Library	Regina's Warehouse Business Improvement District	Consolidation adjustments	**Consolidated 2010**
592	-	-	15,132	157	(399)	**154,746**
154	880	6,346	1,769	17	(6,049)	**117,503**
-	1,365	-	1,177	-	(823)	**93,723**
-	-	-	-	-	-	**28,633**
-	-	-	-	-	-	**10,166**
-	-	-	-	-	-	**6,875**
-	-	12	-	-	-	**15,465**
-	-	-	-	-	-	**12,537**
-	-	-	-	-	-	**3,636**
-	-	-	-	-	(9,415)	**459**
-	-	-	-	-	-	**27,386**
746	2,245	6,358	18,078	174	(16,686)	**471,129**
806	2,034	-	17,469	144	(1,069)	**62,339**
-	-	-	-	-	-	**64,856**
-	-	-	-	-	(23)	**46,244**
-	-	7,085	-	-	(14,771)	**56,409**
-	-	-	-	-	-	**48,788**
-	-	-	-	-	-	**33,787**
-	-	-	-	-	-	**28,085**
-	-	-	-	-	-	**13,467**
-	-	-	-	-	(823)	**14,932**
-	-	-	-	-	-	**11,378**
806	2,034	7,085	17,469	144	(16,686)	**380,285**
(60)	211	(727)	609	30	-	**90,844**

CONSOLIDATED STATEMENT OF OPERATIONS BY SEGMENT

Schedule 2

(dollars in thousands)

For the year ended December 31, 2010

	Community and Protective Services	Public Works	Planning and Development	Regina Police Services	Corporate Services	**Total City of Regina**
REVENUE						
Taxation	-	-	-	-	139,264	**139,264**
Fees and charges	22,047	86,151	2,421	-	3,767	**114,386**
Government transfers	19,464	41,150	-	5,495	25,895	**92,004**
Electrical distribution	-	-	-	-	28,633	**28,633**
Licenses, fines and levies	6,629	3,537	-	-	-	**10,166**
Gas distribution	-	-	-	-	6,875	**6,875**
Interest and penalties	-	2,381	-	-	13,072	**15,453**
Service agreement fees	1,543	10,994	-	-	-	**12,537**
Land sales	-	3,636	-	-	-	**3,636**
Other	23	8,645	-	(8)	1,214	**9,874**
Contribution of tangible capital assets	1,086	19,025	-	-	7,275	**27,386**
	50,792	175,519	2,421	5,487	225,995	**460,214**
EXPENSES						
Wages and benefits	63,831	29,952	10,561	56,089	27,045	**187,478**
Material, supplies, and other goods	11,006	51,100	(679)	3,386	7,634	**72,447**
Contracted and general services	11,008	3,489	1,555	3,403	7,991	**27,446**
Utilities	115	12,514	-	410	3,953	**16,992**
Transfer payments/grants	14,205	295	277	58	1,851	**16,686**
Interest	-	2,868	-	-	1,334	**4,202**
Amortization	6,632	28,209	-	1,510	7,831	**44,182**
	106,797	128,427	11,714	64,856	57,639	**369,433**
Excess of (expenses over revenues) revenues over expenses	(56,005)	47,092	(9,293)	(59,369)	168,356	**90,781**

See accompanying notes to consolidated financial statements.

Regina Downtown	RROC	Buffalo Pound	Regina Public Library	Regina's Warehouse Business Improvement District	Consolidation adjustments	**Consolidated 2010**
592	-	-	15,132	157	(399)	**154,746**
154	880	6,346	1,769	17	(6,049)	**117,503**
-	1,365	-	1,177	-	(823)	**93,723**
-	-	-	-	-	-	**28,633**
-	-	-	-	-	-	**10,166**
-	-	-	-	-	-	**6,875**
-	-	12	-	-	-	**15,465**
-	-	-	-	-	-	**12,537**
-	-	-	-	-	-	**3,636**
-	-	-	-	-	(9,415)	**459**
-	-	-	-	-	-	**27,386**
746	2,245	6,358	18,078	174	(16,686)	**471,129**
401	1,131	1,798	10,133	-	-	**200,941**
36	11	810	5,023	-	(9,393)	**68,934**
356	651	684	-	140	-	**29,277**
-	173	2,444	-	-	(6,446)	**13,163**
-	-	-	-	-	(847)	**15,839**
-	-	-	128	-	-	**4,330**
13	68	1,349	2,185	4	-	**47,801**
806	2,034	7,085	17,469	144	(16,686)	**380,285**
(60)	211	(727)	609	30	-	**90,844**

(dollars in thousands)

For the year ended December 31, 2009

	Community and Protective Services	Public Works	Planning and Development	Regina Police Services	Corporate Services	**Total City of Regina**
REVENUE						
Taxation	-	-	-	-	133,517	**133,517**
Fees and charges	16,027	83,654	3,046	-	3,787	**106,514**
Government transfers	32,295	27,227	-	4,998	25,897	**90,417**
Electrical distribution	-	-	-	-	27,110	**27,110**
Licenses, fines and levies	6,662	3,201	-	-	-	**9,863**
Gas distribution	-	-	-	-	8,532	**8,532**
Interest and penalties	-	224	-	-	8,683	**8,907**
Service agreement fees	1,144	19,043	-	-	-	**20,187**
Land sales	-	2,474	-	-	-	**2,474**
Other	2,402	6,712	-	-	268	**9,382**
Contributed tangible capital assets	4	18,583	-	-	1,162	**19,749**
	58,534	161,118	3,046	4,998	208,956	**436,652**
EXPENSES						
Wages and benefits	59,769	26,911	9,726	53,023	29,161	**178,590**
Material, supplies, and other goods	10,603	44,562	(540)	3,267	9,912	**67,804**
Contracted and general services	9,477	3,995	2,532	2,997	8,141	**27,142**
Utilities	108	10,998	-	427	3,935	**15,468**
Transfer payments/grants	44,087	250	320	84	3,899	**48,640**
Interest	-	2,199	-	-	964	**3,163**
Amortization of tangible capital assets	6,091	26,728	-	1,463	7,479	**41,761**
	130,135	115,643	12,038	61,261	63,491	**382,568**
Excess of (expenses over revenues) revenues over expenses	(71,601)	45,475	(8,992)	(56,263)	145,465	**54,084**

See accompanying notes to consolidated financial statements.

Regina Pioneer Village	Regina Downtown	RROC	Buffalo Pound	Regina Public Library	Regina's Warehouse Business Improvement District	Consolidation adjustments	**Consolidated 2009**
-	600	-	-	14,611	143	(342)	**148,529**
9,660	80	495	6,462	2,223	-	(6,699)	**118,735**
27,694	-	1,262	-	982	-	(754)	**119,601**
-	-	-	-	-	-	-	**27,110**
-	-	-	-	-	-	-	**9,863**
-	-	-	-	-	-	-	**8,532**
70	-	-	13	-	-	-	**8,990**
-	-	-	-	-	-	-	**20,187**
-	-	-	-	-	-	-	**2,474**
2,000	-	-	-	-	-	(10,689)	**693**
-	-	79	-	-	-	-	**19,828**
39,424	680	1,836	6,475	17,816	143	(18,484)	**484,542**
32,534	357	791	1,654	9,978	-	-	**223,904**
2,803	57	12	930	4,324	-	(8,668)	**67,262**
1,155	214	520	622	-	160	-	**29,813**
1,429	-	197	2,640	-	-	(7,049)	**12,685**
-	-	-	-	-	-	(2,767)	**45,873**
360	-	-	-	139	-	-	**3,662**
-	-	27	1,300	2,111	-	-	**45,199**
38,281	628	1,547	7,146	16,552	160	(18,484)	**428,398**
1,143	52	289	(671)	1,264	(17)	-	**56,144**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Schedule 3

(in thousands of dollars)

For the year ended December 31, 2010

	General				
	Land	**Land Improvements**	**Buildings and Building Improvements**	**Vehicles and Equipment**	**Office and Information Technology**
Cost					
Balance, beginning of year	52,053	81,514	106,125	187,872	15,189
Add:					
Additions during the year	7,648	2,282	4,108	21,396	3,083
Transfers from assets under construction	-	311	2,204	1,372	485
Less:					
Disposals during the year	315	25	58	13,427	1,743
Balance, end of year	59,386	84,082	112,379	197,213	17,014
Accumulated amortization					
Balance, beginning of year	-	59,038	50,719	91,874	7,993
Add:					
Amortization	-	1,949	2,324	13,754	2,948
Less:					
Accumulated amortization on disposals	-	25	53	12,806	1,738
Balance, end of year	-	60,962	52,990	92,822	9,203
Net Book Value	**59,386**	**23,120**	**59,389**	**104,391**	**7,811**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

Schedule 3

(in thousands of dollars)

For the year ended December 31, 2010

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2010**	2009
223,623	512,521	470,158	22,654	21,743	1,693,452	1,619,948
1,336	28,291	21,852	-	42,479	132,475	110,325
16	150	1,637	-	-	6,175	20,654
641	6,699	29	-	6,175	29,112	57,475
224,334	534,263	493,618	22,654	58,047	1,802,990	1,693,452
84,246	287,014	140,773	8,909	-	730,566	711,462
4,580	15,532	6,381	333	-	47,801	45,199
622	4,936	17	-	-	20,197	26,095
88,204	297,610	147,137	9,242	-	758,170	730,566
136,130	**236,653**	**346,481**	**13,412**	**58,047**	**1,044,820**	962,886

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GENERAL TRUST FUND

Deloitte & Touche LLP
900 - 2103 11th Ave
Bank of Montreal Building
Regina SK S4P 3Z8
Canada

Tel: 306-565-5200
Fax: 306-757-4753
www.deloitte.ca

Independent Auditor's Report

To His Worship the Mayor and Members of City Council

We have audited the accompanying financial statements of the General Trust Fund, which comprise the statement of financial position at December 31, 2010, and the statement of revenue, expenditures and change in fund balance for year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the General Trust Fund as at December 31, 2010, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

April 26, 2011
Regina, Saskatchewan

Member of Deloitte Touche Tohmatsu

General Trust Fund

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

As at December 31

	Perpetual Care Trust	Williamson Driver Award	Total 2010	Total 2009
ASSETS				
Cash	166	-	**166**	30
Long-term investments (note 4)	2,554	5	**2,559**	2,688
	2,720	5	**2,725**	2,718
LIABILITIES AND FUND BALANCE				
Due to the City of Regina	131	-	**131**	134
Fund balance	2,589	5	**2,594**	2,584
	2,720	5	**2,725**	2,718

See accompanying notes.

General Trust Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE

(in thousands of dollars)

For the year ended December 31

	Perpetual Care Trust	Williamson Driver Award	Total 2010	Total 2009
Revenue				
Contributions	10	-	**10**	9
Investment income	131	-	**131**	134
	141	-	**141**	143
Expenditures				
Cemetery maintenance	131	-	**131**	134
	131	-	**131**	134
Excess of revenue over expenditures	10	-	**10**	9
Fund balance, beginning of year	2,579	5	**2,584**	2,575
Fund balance, end of year	2,589	5	**2,594**	2,584

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

(in thousands of dollars)

December 31, 2010

1. PURPOSE OF FUND

The General Trust Fund comprises the assets, liabilities, revenues and expenses of the following two trusts administered by the City of Regina (the City):

(a) Perpetual Care Trust - In accordance with *The Cemeteries Act, 1999*, a portion of the monies received by the the City from the sale of cemetery plot rights is put into a trust and invested. The income of the trust is used to pay for care and maintenance of the plots. Special approval is needed from the Registrar of Cemeteries before trust capital can be used to fund care and maintenance.

(b) Williamson Driver Award - When a bond was bequeathed to the City of Regina with trust conditions attached a trust was established under *The Trust Act*. Each year the income from the bond is used to provide a safe-driving award to a Regina Transit employee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, as recommended by the Canadian Institute of Chartered Accountants (CICA). The following policies are considered to be significant.

(a) The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(b) Investments are recorded at cost less writedowns to reflect other than temporary declines in values. Any gains or losses are recognized on disposition of the investments.

(c) Investment revenue is recorded on the accrual basis.

3. FINANCIAL INSTRUMENTS

The carrying value of the amount due to the City of Regina approximates fair value due to its short-term nature.

Long-term investments are primarily exposed to foreign currency, interest rate, and market risk.

Interest rate risk refers to the adverse consequences of interest rate changes on the General Trust Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the General Trust Fund's assets and liabilities.

Foreign currency risk arises from holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments held in the pooled bond fund.

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

4. LONG-TERM INVESTMENTS

The long-term investments consist of a pooled bond fund. A pooled bond fund is a group of individual bonds managed by an investment manager. The market value of the pooled bond fund units is based on the market price per unit which is determined by the overall market values of each of the bonds in the fund.

	2010	2009
Investment cost	**2,559**	2,688
Market value	**2,597**	2,686

5. STATEMENT OF CASH FLOWS

A statement of cash flows and statement of change in net financial assets have not been prepared for the year ended December 31, 2010, as they would not provide additional information.

Related Boards and Authorities

Regina Regional Opportunities Commission (RROC)
255, 1919 Rose Street
Regina, Saskatchewan S4P 3P1
Fax: (306) 352-1630
Phone: (306) 522-0227
Contact: Mr. Larry Hiles

Buffalo Pound Water Administration Board
c/o City of Regina
Queen Elizabeth II Court
P.O. Box 1790
Regina, Saskatchewan S4P 3C8
Fax: (306) 694-1377
Phone: (306) 694-6050
Contact: Mr. Ben Boots

Regina Public Library
2311 – 12th Avenue
P.O. Box 2311
Regina, Saskatchewan S4P 3Z5
Fax: (306) 352-5550
Phone: (306) 777-6060
Contact: Ms. Sheila Filion

Regina Downtown
140 – 2401 Saskatchewan Drive
Regina, Saskatchewan S4P 4H8
Fax: (306) 359-9060
Phone: (306) 359-7541
Contact: Ms. Judith Veresuk

Regina's Warehouse Business Improvement District
202 – 1275 Broad Street
Regina, Saskatchewan S4R 1Y2
Fax: (306) 585-1765
Phone: (306) 585-3948
Contact: Ms. Amanda Perry